FINANCIAL TIMES

Sky's the limit

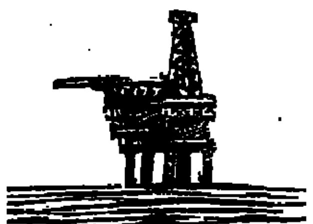
West looks east for jet sales bonanza

Page 2

Preparing for Emu

How strong will the euro be?

Page 2



Sleeping giants

State oil companies challenge the majors

Page 11

Lasers

Ray of hope for cancer sufferers

Technology, Page 7

World Business Newspaper http://www.FT.com TUESDAY AUGUST 19 1997

Metro casts doubt over its takeover of Makro group

Germany's biggest retailer Metro has cast doubt on its takeover of Makro, the Dutch cash-and-carry group, after it emerged that its target was considering other offers. Erwin Conradi, chief executive of Swiss parent Metro Holding, said talks between Metro and SHV Holdings, Makro's majority shareholder, would not be concluded before late October. Page 13

Israel releases Palestinian payments: Israel has started to release payments worth Shk42m ($12m) owed to the Palestinian Authority, suspended in retaliation for last month's suicide bomb attack in Jerusalem. Page 12

Morgan Stanley in train deal: US investment bank Morgan Stanley has been retained to prepare UK rail leasing company Angel Trains for a £1bn ($1.6bn) sale. The UK government sold the business two years ago for £672.5m to a management team backed by Japanese securities house Nomura. Page 13

North Korea nuclear project starts: The international consortium preparing to supply North Korea with safe nuclear power reaches what it describes as "a major milestone" when it formally breaks ground at its site in Kumho on the country's east coast. Page 5

Thai growth predictions slashed: Economic forecasters have slashed their growth expectations in Thailand to just 1.9 per cent this year, and sharply raised their inflation predictions to 6.6 per cent. Page 5

Japan land values fall again: Japanese land prices have fallen for the fifth year in a row, leaving the cost of sites in Tokyo at a fifth of their value during the "bubble era". Page 5

KLM deal: Dutch airline KLM has agreed a tie-up with Braathens Safe, a Norwegian carrier which has been challenging Nordic market leaders Scandinavian Airlines System. Page 13

Caricom and US face trade row: A fresh trade row is looming over attempts by the US congress to force other countries to reject closer ties with Cuba. The 15 Members of the Caribbean Community (Caricom) have rejected moves to penalise them for trying to foster trade links with Havana. Page 12

World markets: European stock markets mostly clawed back early losses, and the FTSE 100 delivered a reasonably robust performance, closing a net 30.8 off at 4,835.0. US stocks weakened further, following Friday's 247-point collapse in the Dow Jones Industrial Average, as technology stocks came under renewed pressure. Lex, Page 12; World Stocks, Page 30

New Mir crisis: The main computer on crippled Russian space station Mir has failed, forcing the three crew members to shut everything except life support systems. Page 4

Hewlett-Packard disappoints: Computer and electronics group Hewlett-Packard disappointed Wall Street with much lower than expected third quarter earnings, despite strong growth in orders and revenue. Page 13

Vintage year for Bordeaux: Bordeaux's wine harvest has begun more than a month earlier than usual, a once-in-a-century event that could yield 1997 vintage white wines of exceptionally good quality, growers said. "1997 is already a legendary vintage – there is no doubt that this wine will be exceptional," said one.

Russia's new transport aircraft crashes

Russia's new BE-103 transport aircraft has crashed near Moscow the day before its public debut at an air show, killing the pilot. Its designers at Sukhoi military aviation had great hopes for the BE-103, an amphibious design which they say has good export prospects.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,653.08	(-41.58)
NASDAQ Composite	1,552.74	(-9.29)
Europe and Far East		
CAC40	2,870.13	(-51.71)
DAX	4,078.60	(-74.26)
FTSE 100	4,835.0	(-30.8)
Nikkei	19,041.10	(-284.93)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.235%
Long Bond	98½
Yield	6.520%

OTHER RATES

UK: 3-mo Interbank	7$\frac{3}{16}$%	(7$\frac{5}{32}$%)
UK: 10 yr Gilt	101$\frac{13}{32}$	(101$\frac{15}{32}$)
France: 10 yr OAT	99.62	(99.39)
Germany: 10 yr Bond	102.67	(102.34)
Japan: 10 yr JGB	108.771	(108.738)

NORTH SEA OIL (Argus)

Brent Dated	$18.45	(18.925)

GOLD

New York Comex		
(Aug)	$321.1	(325.7)
London:		
close	$322.85	(324.55)

DOLLAR

New York lunchtime		
£	1.6120	
DM	1.8222	
FFr	6.1395	
SFr	1.50675	
Y	117.825	
London:		
£	1.6109	(1.6101)
DM	1.8223	(1.8183)
FFr	6.1427	(6.1270)
SFr	1.5103	(1.5009)
Y	117.740	(117.060)
Tokyo close:	Y 117.70	

STERLING

DM	2.9366	(2.9275)

GEC-Alsthom and Siemens seal contracts for China's Three Gorges project

European groups win dam deals

By James Harding in Shanghai and Graham Bowley in Frankfurt

Consortiums led by GEC-Alsthom, the Anglo-French group, and Siemens of Germany have beaten off rivals to win the first contracts to supply power equipment for China's Three Gorges dam, the world's largest hydroelectric project.

The GEC-Alsthom group will provide eight power units, having won the bulk of the estimated $800m order of 14 generators and turbines for the first stage of the controversial $30bn project that will span the Yangtze river.

The Siemens consortium, which includes Voith of Germany and GE Canada, has been asked to supply the other six power units. The order for the six generators – which will each have a capacity of 700MW – and the turbines to be provided by the Siemens consortium is worth about DM600m ($326m), Siemens said.

A GEC-Alsthom representative said: "It is very good news. We are taking the lead in a world famous project. They . . . are drinking French champagne in Beijing." But company officials refused to disclose the value of the contract for the eight units.

The competition for the first Three Gorges deals has been fiercely contested, as six consortiums bid lower and lower prices and offered generous financing to win contracts that many see as an entry ticket to vast future Chinese business.

Jacques Chirac, the French president, publicly lobbied on behalf of GEC-Alsthom when he visited China in May and is understood to have pressed the Anglo-French group's case in his meetings with Jiang Zemin, the Chinese president.

China said it would announce in the next few days which companies had been selected to supply equipment for the project. One Beijing official involved in the selection said the two leading European groups had been chosen "on purely technical grounds". The bids, which were decided behind closed doors last week, were for the first stage of equipment supplies: 14 out of a total 26 700MW power units, with turbines and generators.

Representatives of the third European consortium – ABB Power Gen of Switzerland and Kvaerner of Norway – confirmed that they had not won the big-ticket orders, but were still in negotiations to provide core components for some of the turbines. "The contract could be in the region of $50m," said one company official.

The companies that appeared to have lost out in the competition for the key contracts were Russian bidders Energomachexport, the Japanese consortium led by Mitsubishi Heavy Industries and the consortium including Impsa of Argentina and Turboatom of Ukraine.

China separately announced yesterday it had spent Yn5.31bn ($640.6m) between 1993 and the end of June this year, relocating people and industries displaced by the dam's construction.

The Three Gorges project, which will create a 600km-long reservoir and displace about 1m people, is due to be completed by 2009. At capacity, it will produce 84.7bn kWH of electricity, one ninth of the total for the country in 1993.

Three Chinese companies have won the Yn6.68bn deal to build the dam wall and building to house the turbines – a competition closed to foreign bidders. The companies are Gezhouba shareholding company, Yichang Qingyun United Hydropower Company and Yichang Three Gorges Project Construction Corporation.

BT terms for MCI expected to stay unchanged

By Clay Harris in London and Tracy Corrigan in New York

The merger of British Telecommunications and MCI Communications, thrown into serious doubt last month, is expected to proceed with no change in the financial terms, according to some securities lawyers in New York.

BT's shares-and-cash offer, which yesterday valued MCI at $28.67bn (£17.76bn), is thought unlikely to be altered, based on the wording of a Securities and Exchange Commission filing late last week.

But the partners are expected to announce changes in the US group's strategy in an effort to justify the deal to BT's sceptical shareholders.

BT has been under pressure to seek a renegotiation of the terms or to abandon the deal – the biggest foreign acquisition of a US company – after MCI warned last month that it would lose $800m this year in its expansion into the US local telephone market.

A wide-ranging review by senior executives, announced after the profits warning, is expected to confirm the offer terms but to rein in MCI's investment plans to reduce losses. The result of the review is expected to be announced before the end of the month.

BT may also seek to exercise greater management control over the US business, which was originally expected to retain autonomy. This could involve high-level personnel changes at MCI.

The deal is expected to clear its last significant regulatory hurdle this week with approval by the US Federal Communications Commission.

Evidence that no substantive changes in the terms have been discussed came in MCI's regular 10-Q quarterly financial report filed with the SEC. An SEC official declined to comment on an individual case, but said 10-Q filings should include "material information" that "an average shareholder needed to make an informed decision".

According to some US securities lawyers, discussion of a change in the acquisition price would have to be included. "If the MCI directors believed there was going to be a change in the terms, they would have to say so," said one specialist. "It might be oblique but it should be there."

MCI's filing gave precise details of the financial terms of the transaction and added: "Completion of the merger, which is subject to approval by the US FCC, is expected by the fall 1997." MCI also reported

Continued on Page 12

A way through the fog, Page 10

Relations between Moscow and the Chechen republic eased yesterday after a friendly Kremlin meeting between Boris Yeltsin (above right), Russian president, and Aslan Maskhadov, his Chechen counterpart. But the two leaders were still at odds over sovereignty, with Mr Yeltsin rejecting full independence for the region.

Report, Page 12 Picture: Reuter

Recovery fuels leap of 8.8% in Mexico's GDP

By Daniel Dombey in Mexico City

Mexico's gross domestic product leapt by 8.8 per cent in the second quarter over the same period last year, greatly surpassing expectations and continuing the strong recovery from the 1994 peso devaluation.

Seasonally adjusted numbers yield an underlying growth rate of 7.4 per cent, fuelled by a long-awaited domestic recovery.

The figures are a fillip for President Ernesto Zedillo, facing the first opposition-dominated Congress in the country's history amid increasing controversy over the government's economic policies.

The rise failed to impress the Mexican stock exchange, which remained worried by Wall Street. Midway through trading the leading index stood at 4,881, 1.53 per cent down on the previous close.

"Finally we can talk about a broad-based recovery," said Paulo Leme, director of emerging markets economic research at Goldman Sachs, New York. "This defuses the potential political risks of a principally export-oriented recovery."

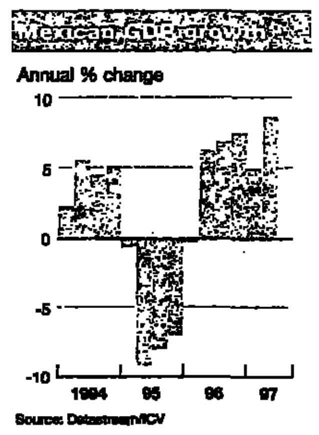
After 1995 and 1996, when the government applied highly restrictive monetary targets as part of an International Monetary Fund-inspired stabilisation programme, monetary policy has been more neutral this year, helping the recovery of domestic demand. Contractual wages, which fell sharply during the depths of the crisis, have also begun to recover, currently rising by about 6 per cent in real terms. As a result, the services sector of the economy has rallied, growing by 7.7 per cent during the quarter.

The recovery in the domestic sector was allied to well-established trends elsewhere. The construction sector grew by 10.2 per cent for the first six months of the year compared with the first half of 1996, partly because of a spate of building preceding congressional elections in July.

Manufacturing rose by 9.1 per cent for the first six months, although the partially tax-exempt assembly plants, known as maquiladoras, have outstripped increases in more traditional manufacturing activities.

Agriculture grew by 10.4 per cent for the second quarter, largely because of the end of a drought that had affected northern Mexico for several years.

The trade balance has so far held up better than expected. In June the country recorded a trade surplus of $306m.



Source: Datastream/ICV

Bonn forecasts higher rates of unemployment

By Ralph Atkins in Bonn

Germany's economics ministry yesterday revised upwards its forecast for unemployment this year and said that, even with faster economic growth, there would be only a "slight decrease" in record joblessness next year.

Highlighting the difficulty Germany still faces in tackling unemployment levels not seen since the 1930s, Günter Rexrodt, economics minister, said it was probable that only western Germany would benefit from next year's expected fall. The east continued to be hit by overcapacity and wages which have grown faster than productivity.

By pushing up government spending and lowering tax revenues, high unemployment is making it more difficult for Germany to achieve the Maastricht treaty criteria for membership of a European single currency.

Mr Rexrodt said the criteria could still be met, but he avoided forecasting whether the German deficit would fall to exactly 3 per cent of gross domestic product – the Maastricht target for single currency membership – as demanded by some conservatives in the parties of the governing coalition.

German unemployment is predicted to average more than 4.3m in 1997, an increase of 350,000 compared with 1996. That compares with official forecasts published in May predicting an average of 4.285m. For 1998, the government is assuming a reduction of about 100,000 in its budget plans.

But Mr Rexrodt painted an upbeat picture of Germany's growth prospects. He acknowledged different trends in different parts of the economy, but said exports were growing "exceptionally powerfully".

In the domestic economy, however, retail sales remained restrained, orders for investment goods were sluggish and production in the building sector was falling.

Mr Rexrodt said preliminary estimates suggested an increase of up to 1 per cent in gross domestic product in the second quarter of this year, compared with the first three months. For the first half, GDP was likely to have been 2 per

Continued on Page 12

9 770174 736128 34

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Claims by Bosnian Serb president highlight growing intensity of power struggle with Karadzic

Plavsic accuses rivals of bugging her

By Guy Dinmore in Banja Luka, Bosnia

Biljana Plavsic, the Western-backed Bosnian Serb president who is locked in a power struggle with hardline nationalists, accused her rivals yesterday of maintaining an extensive bugging network in the main police station close to her offices.

Mrs Plavsic called a press conference to display what she said were transcripts of conversations she and other prominent figures had held since June when the power struggle erupted.

The president was codenamed "thunder" in the transcripts, while opposition leaders based in her stronghold here in north-west Bosnia were nicknamed "crow" and "lizard". Mrs Plavsic said 200 tapes were seized.

One telephone line said to have been tapped was that of Jovo Rosic, a constitutional court judge, who said he had been badly beaten by Mrs Plavsic's rivals the day before the court ruled last week that the president had had no authority when she dissolved parliament last month.

Special police forces under Major Dragan Lukic, loyal to Mrs Plavsic, seized the public security headquarters from forces controlled by Radovan Karadzic, Bosnia's wartime leader and indicted war crimes suspect, before dawn on Sunday. British troops of the Nato-led peacekeeping force, backed by armoured vehicles, took control of the building in Banja Luka 12 hours later and evicted Major Lukic and his 50-strong force.

UN civilian police scoured the building for evidence of phone-tapping and human rights abuses while British soldiers stood guard yesterday. UN police said they had found some arms and possible evidence of phone-tapping.

Serb politicians said the incident illustrated the growing rift between Mrs Plavsic and Mr Karadzic, who is based to the east in the mountain village of Pale near Sarajevo.

Dr Miodrag Zivanovic, leader of the opposition Social Liberal party, said there was a real danger that the Serb-controlled half of Bosnia would itself break into two distinct camps.

Nato accused Major Lukic of breaking rules governing the conduct of special police forces but a spokesman said there was no evidence that Mrs Plavsic had prior knowledge of his operation.

Western powers have given strong backing to Mrs Plavsic. Despite her record as a nationalist ideologue, she is perceived as more willing to accept the US-mediated Dayton peace accord that ended Bosnia's civil war between Moslems, Croats and Serbs.

Nato's recent imposition of controls over Bosnia's special police forces were primarily intended to weaken Mr Karadzic's position.

● Croatian authorities are holding Pero Skopljak, an indicted Bosnian Croat war crimes suspect, in a Zagreb jail, and are likely to transfer him to The Hague today, court sources said yesterday, Reuter reports from Zagreb. The suspect will probably be flown out of Zagreb and taken to the international war crimes tribunal for former Yugoslavia in the Dutch city at midday local time today.

Russian property chief shot dead

By Chrystia Freeland in Moscow

The deputy governor of St Petersburg was shot dead by a sniper yesterday in a gangland-style killing which has renewed fears in Russia of connections between organised crime, business and politics.

Mikhail Manevich, who also headed the city's state property committee, the agency responsible for privatisation, was killed while travelling to work in his official car down Nevsky Prospekt, St Petersburg's romantic main street and a central location in the work of great Russian writers such as Tolstoy and Gogol.

Officials said that Mr Manevich appeared to be the victim of a sniper shooting from a rooftop on the street. His wife was also wounded in the attack.

Anatoly Chubais, the first deputy prime minister and a leading Russian reformer, said the attack on his old comrade was part of a broader effort by "bandits" to thwart the government's efforts to impose law and order in Russia.

"Regardless of the banditry and anarchy, the position of the reform team will be unchanged," Mr Chubais said.

"In answer to their actions we will act ever more firmly."

Mr Chubais praised Mr Manevich as a dedicated official and personal friend and said that the two men had been planning to meet yesterday evening.

"For me, Misha Manevich was not just a bureaucrat. We were united by a shared mission and by a web of friendship reaching back to our university days," Mr Chubais said.

Mr Manevich's death will increase the controversy surrounding the municipal government of St Petersburg, Russia's elegant second city, which has recently become mired in corruption scandals, leading to the arrests of several officials.

The 36-year-old deputy governor's death is also likely to increase public scepticism about the Kremlin's vow to introduce "civilised behaviour" and the rule of law into Russia's wild new capitalism.

Because of the weakness and frequently biased behaviour of the Russian courts, businessmen are often inclined to resolve their disputes through force. Civil servants, particularly those responsible for such potentially lucrative areas as privatisation, often risk being dragged into these struggles.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

Pension crisis spurs reforms in E Europe

In the first of three articles, **Bertrand Benoit** and **Matej Vipotnik** examine the problems of updating east Europe's pensions

Europe's ageing populations are stretching state pension systems to the limit – and nowhere are the strains worse than in the formerly Communist-run welfare states of the east.

High contribution levels, generally low benefits resulting from wider coverage and a population of baby-boomers close to retirement age are forcing governments to look urgently at reform to avert the looming crisis.

Three avenues have been explored so far.

The minimalist solution seeks to improve the existing system by raising the retirement age, increasing contributions or lowering benefits. The Czech government recently shifted the indexation of benefits from rapidly increasing wages to inflation. In Hungary the contribution base was extended last November, while Romania increased the number of years used to calculate benefits.

In both the Czech Republic and Bulgaria, independent pension authorities were created to avoid the all too frequent governmental raids on pension coffers. This has not prevented the Czech government from dipping into the reserves. "It is a relatively insignificant change," said Vladimir Kreidl, an economist at Patria Finance in Prague.

The second option entails the creation of private pension funds to complement the existing system. Again, this approach has limits. In Romania, the two funds in operation are crippled by lack of investment opportunity and inadequate financial market infrastructure.

In the Czech Republic, 39 funds survive out of 44 set up in 1996. "The situation is far from optimal," said Mr Kreidl, referring to limited market transparency which persists despite recent efforts at creating a stronger regulatory environment.

Funds operating in thin and volatile markets are constrained by strict guidelines which affect the return on investment. "Pension funds can only develop as fast as the financial infrastructure," said an official at the European Bank for Reconstruction and Development.

There may be other reasons for dormant fund activity. In Hungary, payroll contributions to state funds of 30.5 per cent of gross wages have tapped most of the available savings at the expense of the 250 pension funds created in 1994. One condition for the success of private funds is the overhaul of state pension systems, International Monetary Fund officials argue.

The third approach involves the introduction of a three-pillar arrangement along guidelines issued by the World Bank in 1994. The state-run system is scaled down, dealing solely with redistribution, and is flanked by a mandatory, fully funded private system. Both pillars are financed from payroll tax and supplemented by a third, voluntary pillar of private funds for those wishing to receive larger pensions.

Poland is moving towards such a model. Under a new system to be phased in from January 1999, the government will create 10 to 12 private funds, which will be capitalised by the transfer of state assets. "Although the funds are likely to be initially cautious in their investment strategy, they will probably develop relatively fast," said Jack Dzierwa, Poland analyst at Salomon Brothers London.

The multi-pillar model also inspired the new Hungarian system due to start in January. A quarter of contributions will be transferred to mandatory, privately run funds. Younger workers will be able to opt out of the old system, which will be scaled down over four decades. The government plans to finance the project with privatisation receipts and bond issues.

Similar reforms are being considered in the Czech Republic, Estonia, Latvia, and Russia. Romania and Bulgaria have implemented only limited measures.

Pension reform in eastern Europe

	Hungary	Poland	Czech Republic	Estonia	Latvia	Slovenia	Romania	Bulgaria
Limited state-pension system reform	✓	✓	✓	✓	✓	✓	✓	✓
Establishment of private pension funds	✓	✓	✓	✗	✓	☑	✓	☑
Shift to multi-pillar pension system	✓	✓	☑	☑	☑	☑	✗	✗
Public pension expenditure (% of GDP)	10.3	14.6	9.1	6.7	9.8	13.7	6.5	8.0
Year of latest pension expenditure figure	1994	1995	1995	1995	1995	1994	[illegible]	[illegible]

✓ Changes underway or completed ☑ Changes planned ✗ No change

Source: World Bank

Aircraft groups swoop on new market

By Joe Cook in Prague

The efforts of western aircraft groups to sell fighter jets to central European countries are about to enter a new, intensively competitive phase. Among the prizes at stake is a Czech government order for 24-30 jets worth up to $1bn, the outcome of which will set a precedent in central Europe's newly opened defence market.

The Czech Republic, Hungary and Poland are in the market for modern fighter jets and air defence systems as they prepare to enter Nato in 1999. Austria and Slovenia are also moving to upgrade their air forces. Central Europe's combined orders for as many as 262 jets will be worth up to $10bn.

Battling for that business are British Aerospace and Saab, the Swedish aircraft group, which jointly make the Gripen jet, Lockheed Martin of the US, maker of the F-16, Boeing, which manufactures the F/A-18, and France's Dassault, maker of the Mirage.

All four competitors are touting their jets as the best. But according to Paul Beaver, of Jane's Defence Weekly: "There is no such thing as the best aeroplane in the world. What matters is best value for money". Best value breaks down into three components: purchase price, operational costs and industrial offset programmes. It is on the latter, which help countries balance the cost of military procurement with inward industrial investments, that the outcome of the competition will largely turn.

Defence industry analysts say Hungary has played the smartest hand so far, encouraging competitors to institute offset programmes before the release of tender documents. To that end, Budapest signed a non-binding memorandum of understanding in 1995 with the Swedish government, under which Sweden has pledged to make investments in Hungary, and to buy Hungarian goods worth a potential $1bn, equal to the cost of buying 30 Gripens.

Under the scheme, Electrolux, the Swedish appliance maker, which like Saab is owned by the Wallenberg family's investor holding company, has invested $100m in a fridge factory. The plant employs some 4,000 people and now accounts for 8 per cent of Hungarian exports. Electrolux has promised the Hungarian government it will create another 16,000 jobs if it buys the Gripen.

In Poland, plans are afoot to form an "offset committee" under which local industrialists will co-ordinate negotiations between the four western jet-makers and as many as 1,500 Polish companies. All four competitors have agreed to assemble their jets at PZL Mielec, a state-owned aircraft concern.

Assembly typically accounts for about 15 per cent of the cost of the jet. Poland is expected to order 100-160 jets, worth up to $4bn. PZL can therefore expect revenues of up to $600m from jet assembly. Boeing and Dassault have already signed component-making deals with the Polish company.

In the Czech Republic, Lockheed Martin and CKD, a Czech heavy engineering firm, have signed a preliminary "job-producing" industrial development programme. Boeing strengthened its hand in May by signing a memorandum of understanding with Prague to acquire a stake of between 34 per cent and 40 per cent in the state-owned Aero Vodochody for a minimum price of Kc950m ($28m).

The arrangement includes proposals for Aero, which makes light jets, to produce parts for Boeing civil aircraft and to co-produce the F/A-18, said Jim Schlueter, a Boeing spokesman. The final contract is scheduled to be signed by late September. "We think Aero is a win-win situation for us," said Mr Schlueter.

Alan Garwood, European managing director of British Aerospace, disagrees. On a recent visit to Prague, he challenged the Boeing-Aero arrangement by offering to licence full production of the Gripen to Aero. This would include transferring high technology and intellectual property rights to the Czechs, and could also include establishing a design and development unit at Aero.

BAe and Saab are free of the constraints faced by US defence companies, which need government approval for high-tech transfers on the grounds of security and domestic job safeguards.

Politics is also a factor. The US may expect some reward for spearheading Nato's invitation to the Czechs, Hungarians and Poles. "Poland is a strong ally of the USA, which is why Poland will work to balance anti-American sentiment," said a senior official at the Polish foreign ministry.

The Anglo-Swedish team can also expect a tough sell because of Sweden's traditional neutrality.

In order to counter that, BAe, which is in charge of marketing the Gripen across central Europe, is pitching the jet as a chance for local companies to "become part of a new pan-European defence industry".

Still, with Nato enlargement requiring a two-thirds majority vote in the US senate, central European governments can expect some heavyweight American lobbying.

"The US will extract at least a pound and a half of flesh," said Mr Beaver.

Euro's only way 'will be upwards'

The new currency could confound the sceptics and prove as hard as the D-Mark, reports **Simon Kuper**

Preparing for Emu

"The euro will be weak" has been the mantra of the currency markets this summer. Most traders think the single European currency will be nowhere near as firm as the D-Mark, which has risen for most of the past 25 years. As the D-Mark is traded as a proxy for the euro, they have been selling the German currency. It dropped 5 per cent against the dollar in July, hitting eight-year lows, and has revived only in the past fortnight.

But the markets may be wrong: the euro could be as hard as the D-Mark.

The "weak euro" argument rests on three pillars. First, the market expects European monetary union to be "broad", with up to 11 founding members in January 1999, including such historically weak currencies as the lira, peseta and escudo. The entry criteria for Emu would probably be blurred, letting entrants run high budget deficits, thus softening the euro.

The second argument is that Europe has structural economic problems. Economists say it pays out too much social security, creating high unemployment and low growth. The third point: the euro will have no pedigree. Central banks want to hold the dollar and D-Mark because these currencies have proved strong. As the euro will have no history, central bankers will convert their D-Mark reserves into dollars rather than euros.

But the euro could have some classic economic fundamentals making for a strong currency. The countries expected to join Emu have a total current account surplus of about $100bn. Europe has become "banker to the world", says Peter von Maydell, senior currency economist at UBS in London. Any economy that exports more than it imports should find demand for its currency exceeds supply.

Then there is the independent European central bank. Currency strategists expect it to kick off by taking a tough line on inflation. "Whoever is running the bank will be an inflation hawk from Day One," says Kit Juckes, currency strategist at NatWest Markets in London. That means rising interest rates. The high yields should draw investors to fixed-income assets in euros, boosting the currency.

The European central bank will be relatively free to raise rates, says Avinash Persaud, head of global currency research at J.P. Morgan in Europe, because the Emu economies should be recovering by January 1999. France may want the bank to go easy on rate rises, but the bank's statutes should enable it to resist politicians, currency strategists say.

Mr Persaud adds: "You are talking about a culture of central banking today which is very conservative in Europe, from Germany to Italy." Antonio Fazio, governor of the Bank of Italy, "is arguing about pockets of inflation in a country with an inflation rate of 1.5 per cent. He's a tough man". Already, the inflation rate in the putative Emu zone averages only about 2 per cent. That bodes well for the euro.

With monetary policy tight, Emu members will have to stimulate their economies by cutting taxes. That should enhance economic growth, another plus for a currency. Taxes are high all over Europe this year, to reduce government deficits. But Mr Von Maydell says: "These are the tightest budgets we will ever see in Europe". Further, says Mr Persaud, many European countries and companies are cutting social security spending. That should boost growth.

Lastly, many central banks will want to hold large euro reserves, says Mr Persaud. He rejects the view that central banks seek to hold strong currencies as reserves. Were that the case, he says, bank vaults would be full of Swiss francs, Dutch guilders and Japanese yen. In fact, the dollar is the most popular reserve currency. Central banks like the dollar because it has tended to fall. They know it is unlikely to soar, forcing them into devaluations.

Much international trade is paid for in dollars. The euro should assume a similarly dominant role in world trade, says Mr Persaud. So there are reasons to think the euro will be firm. For the euro, Mr Juckes says, the only way is up.

EUROPEAN NEWS DIGEST

Austrian right wants Emu poll

Jörg Haider, the charismatic leader of Austria's far-right Freedom party, yesterday announced a nationwide petition to force the government into a referendum on the single European currency. Mr Haider said that Austria was unprepared for economic and monetary union (Emu) and might end up with a soft and unstable currency.

He cited Britain's example, where the government has promised to consult the population before joining Emu. His initiative will have no legal force, regardless of the number of signatures, but it could put the government on the defensive at a time when few Austrians are convinced of the benefits of the euro.

The latest opinion polls show the population evenly split, but a majority expects that Emu will be disadvantageous to them. With a budget deficit below the Maastricht treaty's limit of 3 per cent of gross domestic product, and the schilling closely pegged to the D-Mark, Austria is expected to join Emu in the first round.

Representatives of the ruling coalition dismissed Mr Haider's call for a referendum and pointed out that by voting in favour of EU membership in 1994, Austria had already endorsed the single currency. *Eric Frey, Vienna*

■ 'MAD COW' BAN

Germans seize suspect beef

Sixty tons of beef seized by customs officials in Germany last week originated in Britain, in violation of a European Union export ban imposed because of "mad cow" disease, a customs spokesman said yesterday.

Günther Losse said a British stamp had been found on the meat, which was seized at a food import company in Kaltenkirchen, northern Germany. The meat, shipped from Ireland in three containers in April, May and June, was seized after a tip-off from customs officials in Brussels who doubted the validity of an Irish stamp and said a UK stamp had been removed from the meat.

The importer was arrested but freed after questioning. Investigators said he might not have known the meat was imported from Britain. If found guilty, he faces a sentence of up to five years in prison. *AFP, Hamburg*

■ ITALIAN CATHOLICS

Politicians rally to Pope

Umberto Bossi, who accused the Pope last weekend of meddling in politics, came under fire yesterday from government and opposition parties. Mr Bossi, leader of the separatist Northern League, said that the Vatican had taken a step backwards under Pope John Paul, focusing more on secular than on spiritual matters.

"Bossi's words are the fruit of a personal neurosis: he needs a psychiatrist," said Rocco Buttiglione, head of the opposition centre-right Union of Christian Democrats.

"The Church in Italy does not do politics. Bossi does politics in the most squalid of ways," Mr Buttiglione said in an interview published by La Repubblica yesterday.

Beppe Pisanu, speaking for the opposition Forza Italia movement, called the remarks "ravings and vulgarities which do not deserve any consideration".

Mr Bossi clashed with the church last year when he proclaimed independence for the northern "Republic of Padania". *Reuter, Rome*

■ CYPRUS TALKS

EU defies Turkish protest

The European Union said yesterday it would open membership talks with the Greek Cypriot government of Cyprus despite complaints from the Turkish side that such a move threatened the island's reunification.

João Vale de Almeida, an EU spokesman, said that the EU "continues to urge both parties to seek a negotiated solution to their problems".

He made it clear, however, that the EU would not be held hostage by a Greek-Turkish stalemate over Cyprus. In the absence of a reunification accord, the EU would start talks with the Greek Cypriots in 1998 as scheduled, he said.

Reunification talks in Switzerland collapsed last Friday after the Turkish Cypriots refused to drop their objections to Cyprus's entry into the EU unless the Turkish side was included in negotiations.

Rauf Denktash, the Turkish Cypriot leader, accused the EU of undermining the reunification process by its readiness to negotiate membership with the Greek Cypriots alone. *AP, Brussels*

Editorial Comment, Page 11

■ FRANCE AND EU

Lang threat to block treaty

An influential Socialist member of the French parliament has vowed to oppose ratification of the European Union's Amsterdam Treaty, saying it would open the way to the decline of the EU.

In an article published yesterday in Le Monde, Jack Lang, chairman of the National Assembly's foreign affairs committee, called the accord "a rump treaty" papering over cracks. He demanded that the EU be turned into a federation to regain its momentum.

"I will not ratify the Amsterdam Treaty as it is now being presented. And deputies in several national parliaments are prepared to do the same," he wrote.

"The path chosen in Amsterdam is not the right one, neither in its vision nor its method. By patching up and adding a coat of glossy paint, we have merely plugged the leaks of a ship without a skipper, a course or an engine."

Last June's Amsterdam summit produced a watered down accord paving the way for EU expansion into eastern Europe and enabling the union to push ahead with plans for a single currency from 1999.

Mr Lang said the treaty showed Europe's apathy in the face of "a vigorous, creative and conquering" United States. *Reuter, Paris*

■ FRENCH IMMIGRATION POLICY

54,000 apply to stay on

More than 54,000 immigrants unsure of their legal right to live in France have asked the new leftwing government to let them stay on, far more than expected, the interior ministry said yesterday.

The government, which took power in June, announced as one of its first steps that it would begin a case-by-case review of an expected 40,000 requests for residence papers from immigrants finding themselves in legal limbo.

The large number seeking to clarify their status is certain to fuel rightwing arguments that Lionel Jospin, the Socialist prime minister, erred in agreeing to review their situation.

Jacques Chirac, the Gaullist president, has charged that the initiative will encourage more illegal immigrants to come to France, aggravating the country's 12.6 per cent unemployment and thus feeding racist sentiment.

Most of the cases are the result of revisions in immigration law carried out under the previous rightwing government. They deprived thousands of individuals of the legal right to remain in France while failing to give the state the power to expel them. *Reuter, Paris*

Ameritech chief in plea to FCC over ruling today

Telecoms guidelines call

By Nikki Tait in Chicago

Dick Notebaert, chief executive of the Ameritech telecoms group, yesterday called on the Federal Communications Commission to provide "clear and realistic" guidelines for local carriers seeking to enter the long distance market.

The FCC is due to rule today on whether the Chicago-based carrier, which provides local services in five Midwest states, has opened its local markets sufficiently to warrant its entry into Michigan's long distance market.

The 1996 telecoms act permitted local carriers in the US to start selling long distance services, but only if their existing monopoly markets were opened to competition. Ameritech's Michigan filing is the most advanced bid by a local carrier for long distance permission in the regulatory pipeline, and the keenly awaited FCC ruling is likely to be a benchmark for the industry.

In an article in today's Financial Times, Mr Notebaert said Ameritech had "done everything to hold up our end of the bargain", and that its Midwestern markets were "the most open anywhere in the world".

Expressing frustration with the regulatory process, Mr Notebaert added: "Whether or not the FCC opens long distance markets to Ameritech in its decision today, they can advance the process by rejecting vague tests and impossible hurdles."

But Bert Roberts, chairman of MCI, the Washington-based long distance carrier, countered by accusing the local carriers, such as Ameritech, of "systematically opposing" local competition.

"The local companies are merging rather than competing, seeking to thwart competition instead of advancing it, shamelessly exploiting their monopolistic power to do so," he said.

Mr Roberts noted that Ameritech still controlled 99 per cent of its local calling area. "To be sure, the local monopolies have learned the rhetoric of competition. But they resist the reality. And their rhetoric is belied by the facts," he said.

That continuing concentration, said Mr Notebaert, reflected a deliberate strategy by the long distance carriers, which, he said, were stalling entry to the local markets. "Long distance companies have been encouraged to believe that the longer they stall full-scale entry into local markets, the longer they can preserve the status quo and guarantee their own profitability," he said.

Analysts, meanwhile, are doubtful that the FCC will grant Ameritech's request, following reservations expressed by Michigan regulators and the Department of Justice over Ameritech's compliance with a 14-point checklist, designed to test whether markets are open.

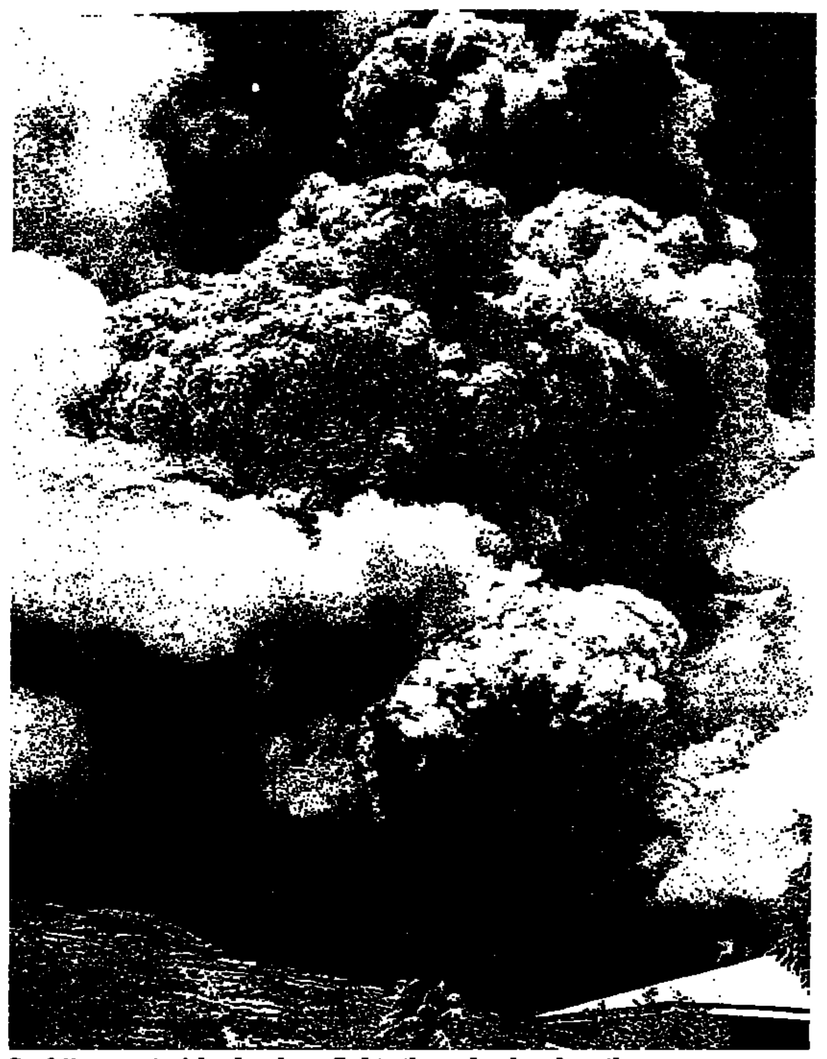
In June, the Michigan authorities found a shortfall in three specific areas, although they conceded that these deficiencies might be remedied by the time the FCC ruled. The Justice Department expressed similar concerns to the FCC.

The long distance markets in Ameritech's core five-state area are worth around \$9bn annually, with revenues in Michigan put at around \$2.3bn. Ameritech has also filed for permission to enter the long distance market in Illinois.

Waiting game, Page 10

Montserrat's economy in ashes as eruptions worsen

Canute James reports on an island with fears for its future



Soufrière erupts: islanders have fled to the undeveloped north PA

Montserrat's truculent volcano is now threatening what the British government says is a "massive, cataclysmic-intensive eruption", putting further in doubt the viability of the colony in the eastern Caribbean, and causing the authorities to plan a voluntary partial evacuation.

George Foulkes, the UK's international development minister, said yesterday the consequences of the eruption "if it did occur, would be extreme" and the entire island was threatened. "Over the past 24 hours the volcano has become more dangerous. As a result, we have agreed to this voluntary partial evacuation of anyone who wants to leave."

The Soufrière Hills volcano, which became active two years ago, has destroyed Montserrat's economy. With the habitable areas of the island reduced to 15 of its 40 square miles, the 4,000 islanders – about a third of its population of two years ago – have been moved to the undeveloped north.

They are faced with inadequate housing and poor sanitation. Doctors and nurses are leaving, and the civil servants remaining went on strike last week because their wages have not been increased since 1990.

The dangers posed by the volcano, and closure of the island's only airport in June, have stopped tourism, after visitor arrivals last year were half the 1995 volume. Processing imported rice for the European market, a big source of revenue, has fallen significantly.

Restricted port activities have reduced the assembly and re-export of electronic products. The economy now depends mainly on aid from London. Insurers no longer provide cover for property.

"This is a voluntary evacuation and we are not abandoning the island," Bob Webb, head of the governor's office, said yesterday. "There is a lot of speculation about the minimum number of people which would make a viable community. No number has been put on it. The UK will continue to support those who stay."

However, a senior Montserrat civil servant said the issue of the island's viability would have to be addressed soon. "This situation cannot be sustained if the volcanic activity continues for another few months, and this is clear to all involved," he added.

A senior official of the Caribbean Community secretariat said the British and Montserrat governments must have reached private conclusions already about viability.

"There was talk of building a new airport, but there must be a market to support infrastructure. Can electricity, telecoms and water, for example, continue to be produced at higher costs for a smaller population? Can the taxes collected from 4,000 or 3,000 people do what the original 11,000 were paying two years ago?"

The deterioration in the situation has taken the island's administrators by surprise. Bertrand Osbourne, the chief minister, who suggested last week that the island could be viable, said yesterday the government would determine "who goes first and when".

"It is a day we have been battling for over two years to avoid," said Frank Savage, Montserrat's governor. The details of the evacuation will be told to Montserratians later this week, said Mr Osbourne. Those wanting to leave will be given money and transportation to neighbouring islands such as Antigua, or to the UK, Mr Webb said.

Governments in the Caribbean have been concerned Britain has appeared unwilling to move quickly to deal with the situation on the island. Officials have accused Britain of being reluctant to accept "full responsibility" for Montserratians.

Caribbean officials suggested Britain was hoping voluntary evacuation would spare it the responsibility of moving Montserratians out of the island.

"If they leave of their own volition, then they are responsible for themselves," a Jamaican official said. "But if the British government moved them off, they would be a British responsibility. It's this we believe the British are avoiding."

Big labour bounces back

Polls show public sympathy for Teamsters union anxiety over growth of part-time jobs at UPS, writes Mark Suzman

Tens of thousands of strikers are on picket lines across the US for a third week, confronting angry managers with chants and slogans. It is as if the labour dispute between United Parcel Service, the US's largest parcel carrier, and the Teamsters, one of the country's most powerful unions, has turned the clock back to a classic mid-century battle between "big business" and "big labour".

While that may be an obvious characterisation, in the ultra-competitive world of the 1990s it is a misleading one. Business has been thriving in recent years and despite the return of a Democrat to the White House, unions have continued their decades-long slide in power and membership.

But in the otherwise quiet days of summer, organised labour senses that the UPS strike may mark a turning point in its fortunes. The broader labour movement has seized the opportunity to grab the public's attention and demonstrate an aggressive new approach in its drive to reassert workers' rights in an increasingly service-driven economy.

Between 1992 and last year, private-sector union membership fell by 320,000, to 9.4m, just over 10 per cent of non-government workers. That was barely half the peak of 17m in 1970 and represents less than a third of the 36 per cent of the workforce who were unionised in the early 1950s.

With 1.4m members, the Teamsters are still a formidable organisation, but that figure too is down from a peak of over 2m. Despite having helped the union rid itself of a reputation for corruption and mismanagement, Bob Carey, its president, is fighting off allegations of campaign improprieties in winning re-election last year. He badly needs the strike to succeed to secure his position.

The AFL-CIO, the country's leading labour federation, needs the Teamsters to win almost as much as Mr Carey. With a central element of the UPS dispute the company's reluctance to turn new part-time jobs into higher-paid full-time ones – a fundamental union objection to modern business practices – John Sweeney, the AFL-CIO president, has been quick to throw his full support behind the strikers.

"It is difficult to overstate the importance of this strike for us," says one senior labour movement official. "It has broad visibility and it raises fundamental questions about the future of the American labour movement and collective bargaining."

One indication that the dispute may mark a turning point for labour has been the public response. In contrast to other big industrial disputes in the past 15 years, polls suggest that most Americans are sympathetic to UPS worker demands.

This coincides with a much more assertive attitude taken by the AFL-CIO under Mr Sweeney's leadership over the past two years. He has led a drive to raise the public and political profile of the labour movement while boosting membership among traditionally under-represented low-paid service workers such as hotel employees.

"The strike signals another step in the campaign of organised labour to be much more visibly aggressive in their tactics," says Michael Baroody, senior vice-president for public affairs at the National Association of Manufacturers. "And it is very clear that there is some concern [for business] this would be a precedent for similar activity elsewhere over the coming year."

But even if the Teamsters achieve their goals, it may prove difficult to transform the labour movement's fortunes in the prevailing political context.

Unions initially had high hopes that the election of Bill Clinton as US president in 1992 would mark the arrival of a labour-friendly administration after 12 years of hostile Republican rule.

In practice, however, Mr Clinton overrode strong union objections to push through the North American Free Trade Agreement in 1993. Last year he ignored union opposition in signing the new welfare law and he also overlooked the movement's first choice for a new labour secretary, Harris Wofford, a former senator, in favour of Alexis Herman, a White House staffer.

Undaunted, the AFL-CIO has remained a strong backer of the Democrats, giving a record \$35m to the party in the 1996 elections and planning to provide even more in future polls.

Although Congress is Republican-dominated, that financial clout has helped it successfully lobby lawmakers to prevent the passage of several bits of legislation designed to deregulate workplace rules.

Analysts also suggest the unions' higher political profile has been instrumental in Mr Clinton's reluctance so far in this dispute to invoke the Taft-Hartley act – a key labour law that gives the president the authority to halt any strike he deems is causing serious damage to the national economy or security.

Whatever the outcome, therefore, the disruption the UPS strike has already caused has put labour's drive to re-earn its "big" label firmly in the public eye. William Gould, chairman of the National Labor Relations Board, the government mediation agency, points out that in the context of a tight labour market the resonance of the part-time work issue may also have given unions the confidence to redouble their organising efforts.

"The most significant aspect of the UPS strike could be to energise AFL-CIO affiliates, get them more involved in Sweeney's programme and get them to go after contingent, marginalised employees," he says.

A UPS striker raises a home-made T-shirt at a Teamsters rally in New Jersey AP

Surinam to probe pyramid scheme

By Canute James in Kingston

Surinam's parliament has ordered an investigation into a pyramid-type savings scheme which collapsed in June after its manager said he could not continue paying promised interest of 120 per cent and could not return his clients' money.

The legislators want the operator of the scheme, Roepsingh Ramtahalsingh, to be punished. There is no indication, however, when the government will begin its investigations. Parliamentarians have criticised the government for ignoring warnings from bankers and economists that the scheme could not be sustained.

The interest offered by Mr Ramtahalsingh was six times that offered by local banks. Many customers were Surinamese living in the Netherlands.

Bankers fear the collapse of the scheme could lead to violence in the former Dutch colony of 430,000 people, in north-east South America.

"This situation is still unresolved and people are very angry," one banker said yesterday. "They might do anything and could plunge this country into an Albanian-type civil war." Violence overtook Albania last year following the collapse of several pyramid schemes.

Action against Mr Ramtahalsingh so far has been limited to an attack by angry depositors on a supermarket which he owns.

It was looted, and four people who were arrested in the incident have been released.

The parliamentarians have asked Jules Wijdenbosch, Surinam's president, to explain why the government has not acted against Mr Ramtahalsingh.

Iran's hardliners to challenge ministers

By Roula Khalaf in London

Iranian President Mohammed Khatami's appointment of several moderates to his cabinet is likely to be challenged by hardliners in parliament today.

Mr Khatami sought compromise in picking his 22-man cabinet last week, appointing technocrats and political nominees from different tendencies. But he included moderates in key ministries such as Interior, and Culture and Islamic Guidance.

Conservative deputies are expected to oppose several nominations. "There will be emotionally charged opposition to some ministers appointed," said a western diplomat in Tehran. "But it is very difficult to say whether they will be rejected."

A vote of confidence in the appointments will be held after three five-hour sessions expected to end tomorrow.

Analysts and diplomats in Tehran say the ministers who will face resistance include Ataollah Mohajerani, a former vice-president named to the Culture and Islamic Guidance Ministry, which sets the tone of Islamic rule, deciding on how Iranians dress, what they watch on television and whether they are allowed to own satellite dishes.

Mr Mohajerani is the most controversial appointee and has been the target of attacks by hardliners for having once advocated talks with the US. Since his appointment, however, he has said that the situation has changed and that he now rejects dialogue with the US.

Other nominees who may face problems include Abdollah Nouri, the moderate interior minister-designate; Kamal Kharazi, Iran's envoy to the United Nations, now named as foreign minister, who some hardliners say has spent too many years in the US; Morteza Haji, the co-operatives minister, who is close to the mayor of Tehran, a strong Khatami ally; and Hussein Mozafar, the leftist minister of education.

The new president has some leeway. Iran's *majlis* (parliament) is considered to be dominated by conservatives because deputies last year elected as speaker the hardline Ali Akbar Nateq-Nouri, who was defeated by Mr Khatami in the May presidential elections. But while the conservative bloc has 110 out of 270 deputies and the moderates backing the new president can count on only 100 deputies, the allegiance of the remaining 60 independents is uncertain.

According to Bijan Khajehpour, editor of the UK-based monthly Iran Focus, the independents who voted for Mr Nateq-Nouri last year did so because they expected him to become the next president, and they may now choose to side with Mr Khatami.

"The average provincial deputy in Iran does not have a political platform and does not care that much about factional divisions. What he cares about is how to get as much investment and infrastructure as possible into his own constituency," said Mr Khajehpour. "For that reason, for those deputies who are genuinely independent, it is better to side with the government, not with non-governmental factions.

"If Khatami gets his way it will be a very strong indication that the parliament will work together with Khatami.

"That will be the manifest end of conservative rule in the *majlis*," he said.

INTERNATIONAL NEWS DIGEST

Seven die in Sidon shelling

Seven civilians were killed and 34 were wounded yesterday in a shell attack in Lebanon's southern port of Sidon attributed to the Israeli-backed South Lebanon Army (SLA) militia.

An Israeli military source in Jerusalem said: "It is probably a shelling by General [Antoine] Lahd's SLA to avenge the killing of the two youths whose father was a former battalion commander in the SLA."

The Israeli army said two Lebanese youths were killed and two wounded when an explosive device blew up a vehicle in the Jezzine area of south Lebanon hours before the Sidon shelling. A total of 16 shells landed in Sidon and its suburbs, forcing residents to abandon the city's main road. *Agencies, Sidon*

■ EGYPTIAN MILITANTS

Islamists killed in raids

Egypt's main armed Islamic group, the Jamaa Islamiya, yesterday warned of more anti-government attacks following the death of 13 militants and the arrest of 100 others in police raids.

"With the will of God we will pursue our *jihad* [holy war] against the enemies of God everywhere and we will uproot the roots of corruption and injustice," the Jamaa Islamiya said in a statement received in Cairo.

Al-Ahram, the Egyptian government daily, yesterday reported that police killed 13 militants and rounded up 100 others in a series of raids over the past few days, amounting to the biggest such operation in five years.

Among the dead were the "main leaders" of the Jamaa, as well as men held responsible for the massacre of nine Coptic Christians in a church in the southern province of Minya last February. *AFP, Cairo*

■ ALGERIAN VIOLENCE

Family's throats slit

At least 24 people have been killed in Algerian massacres blamed on Islamic extremists since last Thursday, newspapers reported yesterday.

A family of seven travelling on Friday to Mascara from the north-west port of Oran was forced to stop at a fake checkpoint by extremists who slit their throats, the Al Khabar daily reported. The killers stopped two other people nearby and also slit their throats, the paper said.

On Thursday, 15 people, including six children and two women, were massacred by an armed group in Douera, an Algiers slum. In another attack, a home-made bomb exploded on Sunday in central Oran, injuring three people and badly damaging several buildings. It was the first attack in Oran, some 250 miles west of Algiers, since 1995.

Since July 15, 449 people have been murdered in Algeria, according to a toll compiled by AFP from press reports. *AFP, Algiers*

■ IRAN-IRAQ RELATIONS

Saddam to allow shrine visits

Saddam Hussein, Iraq's president, is to allow Iranians to visit holy shrines in Iraq from September 4, Baghdad radio said yesterday. Such visits by Iranians were suspended at the start of the 1980-1988 Iraq-Iran war. *Reuter, Baghdad*

Computer crash puts Mir in spin

By Clive Cookson, Science Editor

The main computer on Mir failed yesterday, sending the Russian space station into a "chaotic" orbit and forcing the three crew members to shut down all equipment except essential life support systems.

The computer fault, whose cause was not immediately known, is the latest in a long list of breakdowns and accidents that have beset Mir this year. It occurred shortly before Mir docked with an unmanned Progress supply ship; Anatoly Solovyov, the station commander, completed the docking manually.

Without the computer control, Mir cannot keep itself turned towards the sun, so the solar panels – its main power source – are no longer working. Emergency batteries are providing enough electricity for the crew's essential support systems.

Vladimir Solovyov, head of mission control, said the situation was serious but not life threatening for the two Russians and one American on board.

Kathleen Maliga, an official from the US space agency Nasa, agreed. "We'll watch carefully but we're not worried," she said.

"There were no human errors," Vladimir Solovyov added. "It was a technical malfunction."

When the computer failed a month ago, sending Mir into a similarly disoriented spin, it turned out that one of the craft's previous crew had caused the problem by disconnecting a cable. That mistake was corrected a day later.

Mission control hopes that Mir's computer will be restored to normal operation this morning. But it has decided to delay – probably by two or three days – the attempt originally scheduled for tomorrow to begin repairing the damage inflicted on Mir by a collision with another Progress supply ship during a docking exercise on June 25.

Anatoly Solovyov and his flight engineer, Pavel Vinogradov, will try to re-enter the Spektr laboratory module, which has been depressurised and sealed off since the collision, to reconnect cables leading to its solar panels. The third crew member, Michael Foale of the US, will stay in the main station.

Fears grow for tourism after Germany issues warning

Kenya violence hits shilling

By Michael Holman in London and Reuter

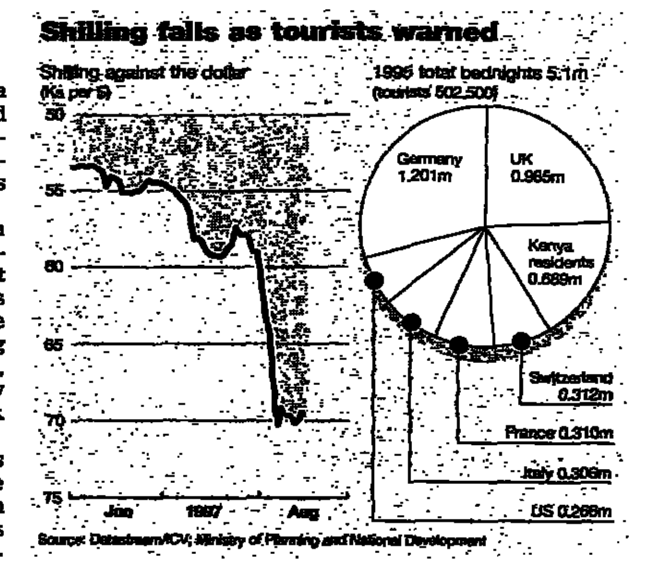
The Kenya shilling fell to a new low yesterday amid fears that continuing violence in and around Mombasa would hit the country's important tourist sector.

The bodies of two Kenyan policemen were found yesterday, bringing the toll to at least 35 dead from clashes since last Wednesday, while at Diani beach, a leading resort south of Mombasa, witnesses said yesterday that a workshop and a kiosk were set ablaze overnight.

The developments prompted warnings from the German and Italian foreign ministries to their nationals in Kenya. German holidaymakers were advised not to leave their hotel grounds, while Rome told travellers to avoid Mombasa.

About 100,000 Germans visit Kenya each year, accounting for nearly a fifth of the tourist trade, the country's largest foreign exchange earner, with gross receipts in 1995 estimated at $486m.

Germany's foreign ministry said they were not advising the several thousand Germans on holiday in Kenya to leave the country, noting that "the violence hasn't been directed towards tourists and no tourists have yet been hurt."



Source: Datastream/ICV; Ministry of Planning and National Development

But the ministry added: "The situation has deteriorated considerably... We are advising tourists to Kenya not to leave their hotels and follow the instructions of their guides."

Although none of the main hotels has been affected, owners fear a further slump in a sector already hit by competition from South Africa. Tourist numbers fell from a peak of 676,000 arrivals in 1994 to 500,000 in 1995.

News of continued violence contributed to a further weakening in the shilling, which at one point yesterday fell 1.3 per cent to 70.68 to the dollar before recovering to 69.25. The currency has now lost 18.79 per cent since negotiations over an International Monetary Fund loan collapsed last month. Fund officials blamed the breakdown on the government's failure to take adequate measures to tackle corruption.

President Daniel arap Moi accused opposition leaders at the weekend of fanning ethic rivalries on the coast, ahead of elections expected to be held this year.

Opponents accuse President Moi's ruling Kenya African National Union (Kanu) of seeking an excuse to clamp down on dissent by orchestrating the well planned attacks, which began with the killing of six police and eight civilians on Wednesday in raids on two police posts south of Mombasa.

Residents said those Kenyans killed were mainly people who originally came from outside the coastal region. They pointed to leaflets, hand-written in Swahili and distributed in the area.

"The time has come for us original inhabitants of the Coast to claim what is rightly ours. We must remove these invaders from our land," said the pamphlets, which echoed ethnic slogans painted on walls and roads near some of the clash sites.

Land shortage and ethnic rivalries have led to some of Kenya's worst political violence. In 1991, in the run-up to the country's first multi-party elections for nearly 23 years, some Kanu politicians began calling for what amounted to ethnically "pure" homelands and so-called Kanu zones dominated by the party.

The result was a spate of clashes involving firearms, spears, arrows and machetes. African Rights, the London-based human rights monitors, said 1,500 died.

Toyota to increase car production in Australia

By Elizabeth Robinson in Sydney and Bethan Hutton in Tokyo

Toyota yesterday unveiled plans to expand output in Australia, producing a new luxury family car at its Altona plant in Melbourne from the year 2000.

Harry Okuda, president of the Japanese carmaker, also announced that Toyota's third research and development plant, after Los Angeles and Brussels, would be in Australia.

John Howard, Australia's prime minister, said Toyota's investment "represents large-scale and long-term investment in Australia's manufacturing industry". Last week, he outlined a more interventionist industrial policy, hinting certain sectors such as technology and telecommunications would receive assistance.

Last week, the Metal Trades Industry Association (MTIA) urged the government to consider taxation reform and investment incentives. Mr Howard said the government would shortly be responding to the suggestions.

He said Toyota's investment vindicated his decision two months ago to dismantle car tariffs gradually from 22.5 per cent to 15 per cent by 2000 when they would be frozen until 2005. The government is aiming to meet the commitment by the Asia-Pacific Economic Co-operation Forum for free trade by 2010 but resisted making immediate large cuts in tariffs.

In June, carmakers in Australia warned that lower tariffs could lead to the industry's demise and promised new investment and extra jobs if tariffs were maintained. Mr Howard said yesterday: "We recognised that in the interim a great degree of predictability and certainty were needed, and that was the foundation of the decision to hold tariff levels after 2000." About 50 per cent of cars sold in Australia are imported.

MTIA said yesterday that both Mr Howard's review of industrial policy and Toyota's commitment to expand in Australia would give the country "good investment vibrations".

The new V6 car to be produced at Altona will be based on the Avalon model which has been made at Toyota's Kentucky plant since 1995. Initial annual production will be 20,000 units for the domestic market, starting in 2000. Additional production for export is likely but Toyota would not comment on export targets.

Toyota has invested around A$1.8bn (US$1.3bn) in Australia over the past decade. Osamu Komori, president of Toyota Australia, said up to another A$1bn could be invested by 2005. Toyota has continued expanding overseas production even after the yen has weakened.

Earlier this year, it announced plans for a second factory in the Philippines, a further factory in Thailand and expansion in Argentina.

WTO confirms hormone ruling

By Nancy Dunne in Washington

The World Trade Organisation yesterday released a final report confirming its ruling that the eight-year European Union ban on meat produced with growth-promoting hormones was an unfair trade barrier.

It was already known that the US and Canada, which brought the complaint, had won the dispute, and the EU has said it will appeal. However, the details of the finding had not been made public.

The beef hormone case was the first brought under the WTO's Sanitary and Phytosanitary Measures agreement. This requires countries to base food safety measures on scientific evidence.

"We are concerned that the report's conclusions limit the right of governments to determine the level of protection which they deem to be appropriate for their consumers," said Ella Krukoff, EU spokesman in Washington.

When the EU imposed its politically popular ban on meat treated with six hormones in 1989, it cut off virtually all of US beef exports to the EU, worth $100m a year. The EU has never been able to produce scientific evidence for the ban.

According to US trade officials, three of the six hormones are naturally present in all meat and all people. Independent exports of the Codex Alimentarius Commission, designated to advise the WTO on such issues, reviewed five of the hormones and concluded they were safe. The sixth is rarely used.

"This is a sign that the WTO dispute settlement system can handle complex and difficult disputes where a WTO member attempts to justify trade barriers by thinly disguising than as health measures," said Charlene Barshefsky, US trade representative.

Mexican telecoms rivals cry foul

New entrants to the liberalised market are complaining at Telmex's tactics

When Mexico threw open its long distance telecommunications market at the beginning of this year, the country was showered with praise.

The change put Teléfonos de México (Telmex), the country's biggest private company, in competition with companies involving AT&T and MCI. It led to hundreds of millions of dollars of investment and better, cheaper services for customers. And all was made possible, said analysts, by the government's decision to institute a clear, open framework where before the monopoly carrier had held sway.

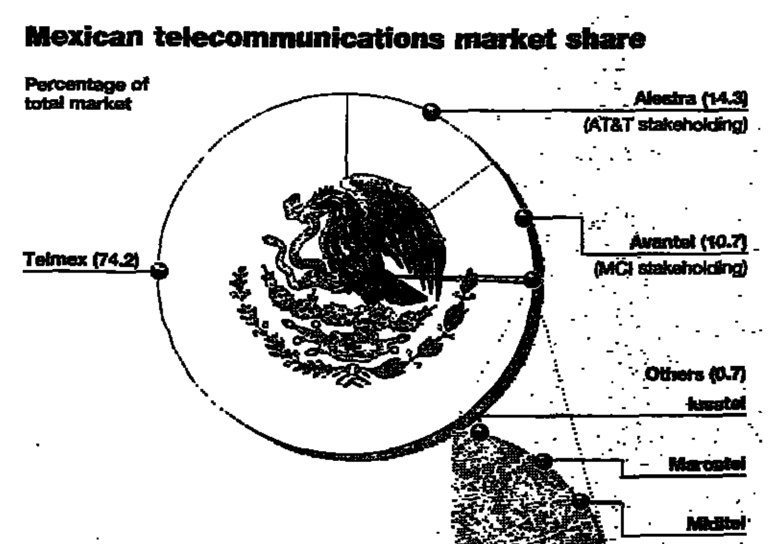
In a country where institution building is one of the government's chief tasks, it was an important step. Solid institutions have been rare in Mexican history and the telecommunications reforms, together with liberalisation in the market for natural gas, were marked out for special plaudits.

Now, seven months later, a note of discord has been sounded. Some competitors say the sector still suffers from a lack of regulatory clarity. Deadlines are being missed, decisions are being questioned and a lawsuit has begun.

In this particular case, Mexico's fledgling institutions may not be as strong as first it seemed.

Nevertheless, the year-old, semi-autonomous Federal Telecommunications Commission takes pride in its achievements. More than 6.7m lines have been opened to long distance competition in six months, a record-breaking feat. As a result, Telmex has lost at least 25 per cent of its share of the $4bn long distance market.

"By the end of this year, Mexico will probably be the most deregulated telecommunications market in the world," said Carlos Casasús, the commission president. "We carried out the calendar for long distance liberalisation on time and I think we will carry out the calendar for local service on time as well."



Source: Federal Telecommunications Commission

However, one of the main newcomers is full of complaints about some aspects of the process. Avantel, a joint venture between MCI and Mexico's biggest bank, Banamex, has found corporate life in Mexico hard going for its plain spoken, largely US trained executives.

"We are not asking the government for any preferential treatment," said Dan Crawford, Avantel's chief operating officer. "We are just asking them to implement the law."

Avantel's complaint is that Telmex has intentionally taken its time to supply circuits needed to link it with prospective clients. Because of the delays, says Mr Crawford, Avantel has lost over half the orders it once had for private lines, perhaps the highest volume segment of all its businesses.

Telmex says it was Avantel that erred in underestimating demand. Carlos Slim, Telmex's chairman, retorts that if Avantel does not like his company's service, it should build its own local network.

Avantel also has a suit pending against a decision obliging the various carriers to contribute $423m to Telmex for its work to connect them to its network. Avantel says much of the work benefited only Telmex, and has won an order relieving it from the need to pay at present.

Next month, users throughout the country are supposed to be able to connect with any one of the seven competitors simply by dialling a three digit access code. But in the absence of any agreement – or commission ruling – about who should be responsible for billing customers, the change is unlikely to go ahead on schedule.

"We need a basic agreement with Telmex before we can go ahead with this," says Jorge Escalona, chief executive of Alestra, a joint venture involving AT&T and the industrial conglomerate Grupo Alfa. "Imagine going into this if you do not have any agreement. You do not know how – or if – you can get your money back."

Another central part of the liberalisation process is an auction, scheduled for October, of wireless frequencies for local service. The plan is to break Telmex's de facto local monopoly by allowing companies to use technologies that should bring costs down. Yet here too there are worries about delays.

Mr Casasús says that though some preliminary deadlines have slipped, the first of the auctions is still on time for bids to be submitted as scheduled. He has, however, promised the auctions in the "near future" at various points throughout the last two years.

"We are never going to arrive at a situation of perfect information, where the process is completely free of problems. But these are relatively minor disputes," says Mr Casasús. "In the US, it has been over a decade since the telecommunications market was opened to competition and similar problems remain."

Telmex executives agree. A year after announcing its intentions to provide a service for Hispanics within the US, their company is still waiting for permission from the Federal Communications Commission.

Daniel Dombey

DVD Forum stands by its disc format

By Bethan Hutton in Tokyo

The DVD Forum, a group of 10 consumer electronics companies, said yesterday it would "vigorously propose" the adoption of its format for DVD-Ram, the next generation of computer and audio-visual data storage discs.

Fears of a "format war" over recordable DVD – digital versatile discs – grew last week when Sony, Phillps and Hewlett-Packard said they planned to produce optical discs similar to DVD-Ram in a different format to the one being developed by the DVD Forum.

The DVD Forum yesterday disclosed details of its disc format in a proposal to the European Computer Manufacturers' Association, an international standardisation organisation, ahead of an ECMA meeting in Kobe tomorrow.

The DVD-Ram Format Version 1.0 is a rewritable disc with a storage capacity of 2.6 gigabytes on a single side. The forum said it tried to satisfy the desires of computer manufacturers and other users, and to ensure expandability to the next generation of discs with a 4.7 gigabyte capacity.

Sony and Philips were still named on the list of companies supporting the format, despite their announcement last week.

The DVD Forum will use the ECMA meeting to demonstrate the format's compatibility with the various DVD disc formats, it said. Sony and Philips claimed last week that their disc format was more easily compatible with existing DVD drives. The forum will also promote its format to other international standardisation organisations, it said.

Sony said yesterday that it saw its rival disc format as purely for use as a computer peripheral, not for audio-visual use. One possible use for the DVD Forum's proposed disc is as a high-quality alternative to video cassettes for home recording of films and television programmes.

"Sony is still very much part of the DVD Forum, and is involved in the discussions that are taking place. However, at this stage we have no plans to launch any products related to the DVD-Ram format version 1.0," the company said yesterday.

The disc which Sony, Philips and Hewlett-Packard plan to produce is based on technology more compatible with existing rewritable CDs, while the DVD Forum's disc is more similar to PD technology developed by Matsushita, Sony said.

NEWS: ASIA-PACIFIC

Speculative attacks against Asian currencies have affected regional economies in different ways

Bank chief plays down HK$ threat

By John Ridding in Hong Kong

Currency speculators who took positions against the Hong Kong dollar last Friday were yesterday unwinding their positions, according to Joseph Yam, head of the Hong Kong Monetary Authority (HKMA), the territory's *de facto* central bank.

"Insofar as Friday's events are concerned I think we have won the game, with the help of banks pushing up interest rates," Mr Yam declared.

The HKMA chief said the Hong Kong dollar was returning towards levels of HK$7.742 to the US dollar in early London trading, compared with a low of HK$7.75 on Friday.

Economists and traders said Friday's moves against the Hong Kong dollar could signal an assault against the currency, the last in Asia to be linked to the US dollar.

Chi Lo, regional economist at Deutsche Morgan Grenfell, said: "There will definitely be pressure on the Hong Kong dollar. Some investors would like to test the resolve of the HKMA."

But Mr Yam played down the threat to the currency, describing the speculation as relatively small-scale and limited to deals of US$20m-US$30m.

Friday's sharp rise in market interest rates had been a natural move reflecting banks' decisions to take a defensive posture before the long holiday weekend and the uncertainty in Asian currency markets.

The Hong Kong dollar, pegged at HK$7.80 to the US dollar in 1983, remained very stable. "It is not until you get to the fourth decimal point that you see any fluctuation," he said, citing the 30 per cent depreciation of the Thai baht as a comparison.

Mr Yam warned of measures that could be taken against speculators. Institutions which speculated against the dollar in an attempt to destabilise the currency would be barred from acting as fund manager for the HKMA, he said.

The HKMA chief also warned banks against providing funds for currency speculators.

The monetary authority, which acts as lender of last resort, had discretion to charge high interest rates to banks requiring funds for clients taking a short position on the Hong Kong dollar.

"I reserve our right not to apply the offer rate of 6.5 per cent. We have the discretion to charge a higher, lower or much higher rate, possibly 12 per cent or even 60 per cent."

Mr Yam said the fate of the Hong Kong dollar lay in the hands of Hong Kong depositors rather than speculators, and there had been no significant change in the proportion of Hong Kong dollar deposits as a result of the regional currency crisis.

Hong Kong's competitiveness would be affected by currency depreciations in south-east Asia, but the impact would be limited by the structure of the territory's economy. "I would imagine that financial services would be rather insensitive to exchange rate changes," he added.

Currencies, Page 19; World Stock Markets, Page 30

Indonesia able to ride out the storm

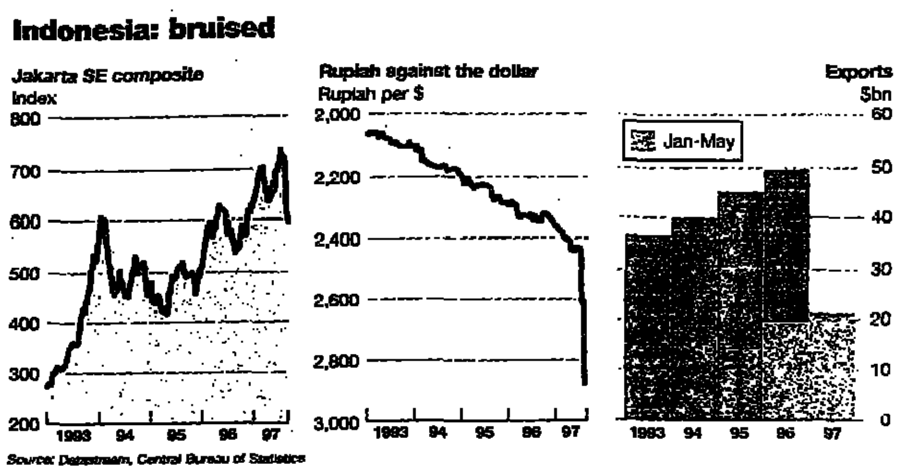
There would have been some economists holding their breath as Indonesia's stock market fell 8 per cent in early trading yesterday in response to the double blow of an unexpectedly large fall in the rupiah and a global equities decline.

Jakarta has been the favoured economy among regional analysts this year, starting with a tighter than expected budget in January and capped by surprisingly strong trade figures for May released two weeks ago.

But with overnight interest rates nudging 100 per cent again yesterday as the rupiah fell more than 20 per cent for the year and the government talking of continued tight monetary policy to defend the rupiah, floated after the government was forced to abandon its intervention bands last week, the market is suddenly full of negative perceptions.

In Indonesia these perceptions can run a wide gamut from weak banks and poorly hedged foreign borrowing to a notoriously opaque political process.

"The government really needs to come out with some sort of event like a new deregulatory initiative to put a floor under this," says a foreign banker. But one stockbroker who has seen market corrections in several countries says yesterday's eventual 3 per cent fall in the stock market was unique as it was driven by external factors such as tight regional liquidity and the Asian currency turmoil rather than any fundamental change in Indonesia's economy.



Source: Datastream, Central Bureau of Statistics

This view is backed by many regional economists, who say that Indonesia remains in much better shape than, for example, Thailand, whose fragile fundamentals precipitated the region-wide crisis.

One important difference between Indonesia and Thailand has been Indonesia's capacity to finance its current account deficit with an increasingly strong flow of direct foreign investment rather than short-term offshore borrowing.

Direct foreign investment financed 80 per cent of the current account deficit last year and Neil Saker, SocGen-Crosby regional economist, also argues: "The investment that comes in tends to be much bigger (than in some neighbours) and less likely to be cancelled."

In spite of its high foreign debt of $114bn, which will now be much more expensive to service, Indonesia's current account deficit is still not expected to rise much above the government forecast of 4 per cent of gross domestic product.

Indonesia does face some short-term trade problems as the depreciation flows into imports before it benefits exporters, although imports are a considerably smaller proportion of the economy than in Malaysia.

Indonesia's concerns focus on inflation, which appears to be more problematic. A drought and an upturn in growth threatens the surprising low annualised inflation rate of 5.1 per cent.

After concern earlier in the year that export growth was being threatened by declining export prices, Indonesia's current account deficit outlook received an unexpected boost only 2 weeks ago with much stronger than expected trade figures for May. They showed a substantial widening in the cumulative trade surplus for the year so far to $3.3bn, compared with $2.1bn the previous year and Jakarta economic sources say the trend continues into June.

Rajeev Malik, regional economist with Jardine Fleming, says that in spite of the government's strong public signals about tighter monetary policy to support the rupiah, the central bank will follow the path of its counterpart in Malaysia and restrain interest rate increases at the expense of a weaker currency.

Mr Malik says the focus on overnight interbank rates has overstated the degree of real credit tightening in Indonesia, where the far more modest interest rate rises in the central bank's main securities are more important indicators. "This is more a case of a temporary short-term liquidity issue," he says, adding that he has not varied his economic growth projection from about 7.5 per cent.

SocGen-Crosby's Mr Saker also argues that Indonesia has greater capacity to bounce back from the large falls in the stock market and currency, although he has shaved his growth forecast 0.5 percentage points to 7.5 per cent because of the tighter credit. But this pales besides the more significant cuts in growth projection being factored in for both Thailand and Malaysia.

Greg Earl

Share prices on the Philippine Stock Exchange fell 3.3 per cent yesterday as the peso hit a low against the dollar, writes Justin Marozzi in Manila. Following the 1.8 per cent slide on Friday, the index closed at 2,368.67, its lowest in 21 months. The index has shed 12 per cent of its value in the past seven trading days. Uncertainty over the peso and other south-east Asian currencies amid the recent bout of speculative attacks, has left investors wary of the Manila market.

Colbert Nocom, head of research at ING Barings in Manila, said he expected the market to trade at between 2,200 points and 2,500 points for the next three to six months, down on its February high of 3,447 points. "Most first-half earnings results have been very disappointing and I think people will start downgrading growth forecasts to 12 per cent this year," he said.

World Stocks, Page 30

Consensus forecast puts Thai growth rate at 1.9%

By Peter Montagnon, Asia Editor, in London

Private sector forecasters have slashed their expectations of growth in Thailand to just 1.9 per cent this year and sharply raised their predictions of inflation to 6.6 per cent in the wake of the country's currency crisis.

A survey of forecasters by Consensus Economics, which monitors predictions by leading international banks and investment companies, shows a sharp deterioration in the outlook over the last three months. In May average forecasts were 5.6 per cent for growth and 4.4 per cent for inflation.

Moreover, growth will pick up very slowly to 2.3 per cent next year while inflation will accelerate to 7.8 per cent, the survey suggested, making the Thai economy much the most serious lasting casualty of this bout of Asian currency weakness. Last year Thailand's economy grew 6.7 per cent and inflation was 5.9 per cent.

High interest rates will continue to depress consumption and investment, while the lower baht is pushing up import prices, Consensus Economics said. The growth forecast might be lower still without Thailand's recent International Monetary Fund package.

The survey shows growth expectations for other Asian countries have been cut more modestly, but it says economists expect only a small recovery in Asian exchange rates over the next year.

In the short run private sector economists expect the Thai baht to fall a further 2.9 per cent against the dollar between now and the end of November while the Philippine peso could drop by 1.7 per cent from its rate on August 11. But over the same period the Malaysian ringgit should recover 3.1 per cent and the Indonesian rupiah by 0.7 per cent.

A consensus forecast of no change in the Hong Kong dollar's exchange rate show the economists concerned dismiss suggests that its currency peg could come under successful speculative attack.

But there will be little strengthening of Asian exchange rates over the next year, the survey shows. The best performance is predicted to come from the Malaysian ringgit with a rise of 4.6 per cent by November 1998. The Thai baht will recover only 1.3 per cent, it says.

Consensus expectations for Malaysian growth this year have been shaved to 7.8 per cent compared with 8 per cent three months ago and 8.2 per cent in 1996. The forecast for Indonesia is little changed at 7.4 per cent, though the survey was conducted before last week's slide of the rupiah. The Philippines is now expected to grow at 5.6 per this year compared with 5.7 per cent in 1996.

N Korea power project starts

By Peter Montagnon

The international consortium preparing to supply North Korea with safe nuclear power reaches what it describes as "a major milestone" today when it formally breaks ground at its site in Kumho on the country's east coast.

Stephen Bosworth, executive director of the Korean Peninsula Energy Development Organisation (Kedo), said the move marked the end of political negotiations and the start of serious work on the project, which the industry expects to cost well over $4bn.

But he warned in an interview that financing remained tight. South Korea and Japan, which are due to put up the bulk of the funds, had yet to pass the necessary legislation.

Kedo was living from hand to mouth to provide North Korea with heavy fuel oil as an alternative energy source while the nuclear power facility was constructed.

The US, South Korea and Japan are the main shareholders in Kedo.

The consortium was formed in 1994 to offer North Korea safe power in exchange for a freeze on its previous nuclear programme, which would have provided it with a source of weapons-grade plutonium.

Mr Bosworth said the oil supplies were now being financed on supplier credit collateralised by member governments' future contributions to Kedo. "It would not be sound financial management to do this much longer," he said.

Contributions from the European Union, whose membership will be formalised in the next few weeks, would help finance the preliminary construction work. This involved site preparation and building a town capable of housing about 2,000 site workers at a cost of some $30m-$40m.

The project was delayed for several months after Pyongyang's submarine incursion into South Korea last year. There had been no direct impact from North Korea's food shortage, he said, but the country was constrained by lack of resources.

Japanese see land values fall

By Gillian Tett in Tokyo

Land prices in Japan have fallen for the fifth consecutive year, leaving the cost of prime properties in Tokyo around one fifth of their value during the "bubble era", it emerged yesterday.

Average land values in Japan were 8.3 per cent lower at the start of this year compared with 1996, according to the annual government survey of roadside residential land.

The drop, which is believed to have continued in recent months, highlights the pressures on parts of Japan's domestic economy, in the aftermath of the collapse of the 1980s property related bubble.

However, in a sign of the strength of other components of Japan's economy, and the lop-sided nature of the country's recovery, separate data yesterday also showed that exports were continuing to surge.

Overseas sales jumped 12.1 per cent in the year to July, compared with a 3.4 per cent rise in imports, leaving the overall trade surplus 69.7 per cent higher than a year before at Y849.08bn ($7.2bn). This was the fourth consecutive monthly expansion.

The surge in the surplus has left some economists fearing renewed trade tensions with the US. The politically sensitive trade balance with the US was 35.7 per cent higher in June, the 10th month of increase.

Japanese officials insist the upsurge is temporary, caused by the government's decision to raise consumption tax in April. In recent weeks economists have become increasingly concerned by the broader weakness of the domestic economy, and the "lop-sided" nature of the country's economy.

The weak picture in the property market could add to this, since it fuels pressure on companies in domestic sectors such as construction and banking, which are exposed to property.

Yesterday's annual survey of roadside properties showed the fastest rate of decline in land prices last year occurred in Tokyo and Osaka, where prices fell 10.5 per cent and 8.3 per cent respectively.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

■ UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	101.9	98.6	102.1	99.9	85.0
1987	105.6	100.7	103.9	98.4	76.1
1988	109.9	103.2	106.8	100.2	71.0
1989	115.2	108.5	109.9	101.9	74.9
1990	121.5	113.9	113.5	104.9	73.2
1991	126.6	116.3	117.3	108.4	74.1
1992	130.4	117.7	120.1	108.3	74.0
1993	134.3	119.2	123.1	108.2	76.4
1994	137.8	119.9	126.5	108.0	74.2
1995	141.7	122.2	129.7	108.3	68.7
1996	145.8	125.4	134.0	108.1	73.3
3rd qtr.1996	2.9	2.9	3.3	−0.1	73.5
4th qtr.1996	3.2	3.0	3.5	−0.5	74.3
1st qtr.1997	2.9	2.1	3.6	−0.1	77.9
2nd qtr.1997	2.3	0.3	2.8		78.0
August 1996	2.9	3.0	3.5	0.1	73.1
September	3.0	3.0	3.4	0.4	73.8
October	3.0	3.1	3.3	−0.4	74.2
November	3.3	3.0	3.6	−0.9	73.6
December	3.3	2.8	3.7	−0.3	75.0
January 1997	3.0	2.5	3.0	−0.2	76.5
February	3.0	2.2	3.5	0.0	78.3
March	2.8	1.5	4.3	−0.2	79.1
April	2.5	0.8	2.8		79.3
May	2.2	0.3	3.0		77.6
June	2.3	−0.1	2.7		76.8
July	2.2	−0.2	2.7		

■ JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	100.9	95.3	101.4	102.7	118.5
1987	101.3	92.5	103.1	100.0	122.9
1988	102.3	92.3	107.8	96.0	131.0
1989	105.1	94.2	114.0	96.8	123.5
1990	108.3	95.7	120.1	99.7	108.2
1991	111.9	96.8	124.2	103.9	113.2
1992	114.0	95.9	125.6	112.8	114.5
1993	115.4	94.3	125.8	118.8	131.9
1994	116.2	92.6	128.4	118.5	137.4
1995	115.9	92.0	132.5	115.8	138.3
1996	115.8	91.3	135.8	113.3	118.6
3rd qtr.1996	0.0	−0.8	4.6	−4.0	117.7
4th qtr.1996	0.1	−0.6	2.0	−3.4	114.0
1st qtr.1997	0.0	−0.3	5.2	−5.0	110.0
2nd qtr.1997	1.5	1.7	2.5		114.6
August 1996	0.0	−0.7	7.9	−2.6	118.5
September	−0.4	−0.8	3.0	−4.0	116.8
October	0.0	−0.8	2.8	−4.4	114.6
November	0.1	−0.6	2.5	−3.0	114.0
December	0.2	−0.4	1.4	−2.8	113.3
January 1997	0.0	−0.4	9.8	−6.8	111.3
February	0.1	−0.3	3.1	−2.1	109.1
March	0.0	−0.2	2.7	−6.0	109.4
April	1.2	1.8	2.6	−3.1	109.3
May	1.4	1.7	2.9	−5.1	114.4
June	1.9	1.8	2.1		120.3
July	1.4				

■ GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	99.8	97.5	103.6	103.8	107.5
1987	100.1	95.0	107.9	107.1	111.0
1988	101.4	96.2	112.6	106.9	110.0
1989	104.2	99.3	117.1	108.0	107.6
1990	107.0	101.0	123.5	110.3	110.0
1991	110.9	103.4	131.3	109.7	107.6
1992	116.5	104.9	138.2	115.4	110.1
1993	121.7	105.1	145.6	119.3	111.4
1994	125.1	105.7	150.8	111.7	109.9
1995	127.4	107.5	155.8	110.7	114.9
1996	129.3	107.1		109.6	109.9
3rd qtr.1996	1.5	−0.6		−2.7	109.9
4th qtr.1996	1.4	−0.3		−4.6	107.9
1st qtr.1997	1.7	0.6		−5.8	106.3
2nd qtr.1997	1.6	1.1			105.0
August 1996	1.4	−0.7	n.a.	−4.0	110.5
September	1.4	−0.6	n.a.	−2.0	109.2
October	1.5	−0.3	n.a.	−3.9	108.0
November	1.4	−0.3	n.a.	−4.9	108.4
December	1.4	−0.3	n.a.	−4.9	107.4
January 1997	1.8	0.7	n.a.	−4.9	106.8
February	1.7	0.6	n.a.	−7.6	106.1
March	1.5	0.7	n.a.	−5.0	105.8
April	1.4	0.9	n.a.	−5.9	105.4
May	1.6	1.1	n.a.	−4.0	105.3
June	1.7	1.4	n.a.		104.3
July	1.9		n.a.		

■ FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	102.5	98.0	104.5	101.6	103.4
1987	105.9	98.1	107.8	103.0	104.8
1988	108.8	102.9	111.5	104.1	102.2
1989	112.6	108.2	115.8	105.2	99.8
1990	116.5	107.1	121.5	109.6	103.0
1991	120.2	105.9	127.1	113.4	100.8
1992	123.1	104.3	132.3	115.6	104.3
1993	125.6	101.6	135.6	118.1	106.7
1994	127.7	102.7	138.2		106.2
1995	130.0	109.7	141.5		106.2
1996	132.6	105.8	144.9		106.3
3rd qtr.1996	1.9	−5.2	2.6		106.2
4th qtr.1996	1.7	−3.9	2.6		105.9
1st qtr.1997	1.5	−2.6	3.0		103.5
2nd qtr.1997	0.9		2.7		102.9
August 1996	1.6	n.a.	n.a.	n.a.	106.1
September	1.6	n.a.	n.a.	n.a.	106.2
October	1.8	n.a.	n.a.	n.a.	106.5
November	1.6	n.a.	n.a.	n.a.	105.9
December	1.7	n.a.	n.a.	n.a.	105.1
January 1997	1.8	n.a.	n.a.	n.a.	103.4
February	1.6	n.a.	n.a.	n.a.	103.5
March	1.1	n.a.	n.a.	n.a.	103.8
April	0.9	n.a.	n.a.	n.a.	103.4
May	0.9	n.a.	n.a.	n.a.	103.0
June	0.9	n.a.	n.a.	n.a.	102.2
July	1.0	n.a.	n.a.	n.a.	

■ ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	106.1	99.4	104.8	102.6	101.3
1987	111.0	102.2	111.6	105.5	102.2
1988	116.5	105.7	118.4	109.7	101.0
1989	124.2	112.0	125.6	112.3	105.3
1990	131.7	116.2	134.7	118.8	112.0
1991	140.3	120.0	147.9	129.6	113.2
1992	147.7	122.3	155.8	134.5	109.6
1993	153.9	126.9	161.6	136.9	95.3
1994	160.0	131.6	167.0	138.1	93.4
1995	168.6	142.0	172.2	138.1	90.4
1996	175.0	144.7	175.3		102.0
3rd qtr.1996	3.5	0.4	1.7	0.7	102.7
4th qtr.1996	2.7	0.8	1.6		104.8
1st qtr.1997	2.4	1.0	3.9		104.1
2nd qtr.1997	1.6	1.1			102.0
August 1996	3.4	0.4	1.9	n.a.	102.2
September	3.4	0.5	1.3	n.a.	103.2
October	3.0	0.7	1.5	n.a.	104.8
November	2.6	0.9	1.5	n.a.	104.3
December	2.6	0.9	1.8	n.a.	105.5
January 1997	2.6	0.9	3.9	n.a.	106.2
February	2.4	1.3	3.8	n.a.	103.9
March	2.2	0.9	4.0	n.a.	102.1
April	1.7	0.8	3.9	n.a.	102.1
May	1.6	1.1		n.a.	102.1
June	1.4	1.6		n.a.	101.8
July	1.6			n.a.	

■ UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	103.4	101.4	107.7	103.9	94.3
1987	107.7	104.9	116.3	106.2	94.7
1988	113.0	108.7	126.2	108.8	102.0
1989	121.8	113.9	137.2	114.1	100.6
1990	133.3	121.0	150.1	121.6	101.5
1991	141.2	127.5	162.4	127.9	104.5
1992	146.4	131.5	173.1	128.2	101.0
1993	148.7	136.7	180.9	127.6	93.2
1994	152.4	140.1	189.5	127.1	94.2
1995	157.8	146.0	198.0	131.7	90.8
1996	161.5	149.8	206.8	137.3	93.7
3rd qtr.1996	2.2	2.1	4.5	4.6	93.0
4th qtr.1996	2.6	2.0	4.6	3.5	98.6
1st qtr.1997	2.7	1.2	4.4	2.5	105.7
2nd qtr.1997	2.7	1.0	4.2	2.8	108.4
August 1996	2.1	2.1	4.5	5.2	92.2
September	2.1	2.2	4.7	4.5	93.7
October	2.7	2.3	4.0	3.6	96.1
November	2.7	2.1	4.7	4.0	100.2
December	2.5	1.8	5.1	2.9	102.5
January 1997	2.8	1.5	4.2	2.7	104.9
February	2.7	1.2	4.8	2.6	106.2
March	2.6	1.0	4.3	2.3	106.1
April	2.4	0.8	4.0	1.5	108.2
May	2.6	1.0	4.3	3.5	107.8
June	2.9	1.1	4.3	3.3	109.1
July	3.4	1.4			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted. US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

ASIA-PACIFIC NEWS DIGEST

Japanese banks press for reform

Japan's top 10 commercial banks have submitted 39 demands to the government calling for speedier introduction of "Big Bang" financial reforms, amid fears they could be at a disadvantage against foreign competitors. A growing number of foreign groups are seeking to expand in Japan. The country's banks are also demanding greater freedom to expand into new business sectors, and privatisation of the postal savings and insurance system.

The unusual lobbying highlights the growing political and commercial pressures that Japan's planned reforms are triggering behind the scenes of government, not least because the reforms are threatening to pit competing industry interests against each other.

The first significant "Big Bang" step is due next April, with most changes phased in over five years, according to a timetable unveiled in June. This is because some financial sectors, such as insurance, are fiercely opposed to rapid reform. *Gillian Tett, Tokyo*

■ JAPANESE CONSTRUCTION

Payments overdue add to woes

Japanese construction companies, struggling under the burden of huge debts and loan guarantees to property developers, also face not being able to recover more than Y5,530bn ($47.2bn) in payments overdue, according to a private credit research organisation. In the year to March 1997, payments owed to 114 Japanese construction companies for completed work amounted to Y5,530bn, of which 20 per cent, or Y1,110bn, had been due for over a year, Teikoku Data Bank said in a recent report.

The industry's predicament has been highlighted with the failure of two publicly quoted construction companies, and last week's announcement that Mitsui Construction will receive the support of other Mitsui group members. *Michiyo Nakamoto, Tokyo*

■ SINGAPORE DEFAMATION

Opposition leader on trial

The leader of Singapore's embattled opposition Workers' party went on trial yesterday in a defamation suit brought by the prime minister and 10 other government leaders. J.B. Jeyaretnam is being sued for a statement made in a campaign rally during elections in January, that his party colleagues had filed police reports against Goh Chok Tong, the prime minister, and "his people". Under Singaporean law, Mr Jeyaretnam can be sued for the "innuendo" of his statement. *Agencies, Singapore*

Union leader warns that industry may be 'finished' by 2005 if doomed pit is not rescued

Coal mine to close after only 2½ years

By Simon Holberton, in London

RJB Mining, Britain's biggest coal miner, yesterday closed the Asfordby colliery conceived by the previous Labour government in 1977 to underwrite the future of the coal industry into the next century.

The company said it faced geological difficulties which made it impossible to maintain safe and economic mine operations at Asfordby in the English Midlands. It produced 700,000 tonnes of coal last year of RJB's total production of 37m tonnes.

Richard Budge, RJB's chief executive, said everyone had tried hard to beat the geological difficulties at Asfordby, a mine that has absorbed public and private investment of about £360m ($586.8m). It was with "considerable regret" that the company and its workforce had "to accept that we cannot sustain economic mining operations while providing a safe working environment for our workforce", he said.

His view was immediately challenged by Neil Greatrex, president of the Union of Democratic Mineworkers. He said the mine could be saved if RJB spent a "few million pounds" on investment, and he called on the government to intervene.

"The Labour government should back us up as we helped them get where they are," he said.

"I think that if nothing is done, then by the year 2005 the coal industry in Britain will be finished." Aides to Tony Blair, the prime minister, ruled out government intervention to help save Asfordby.

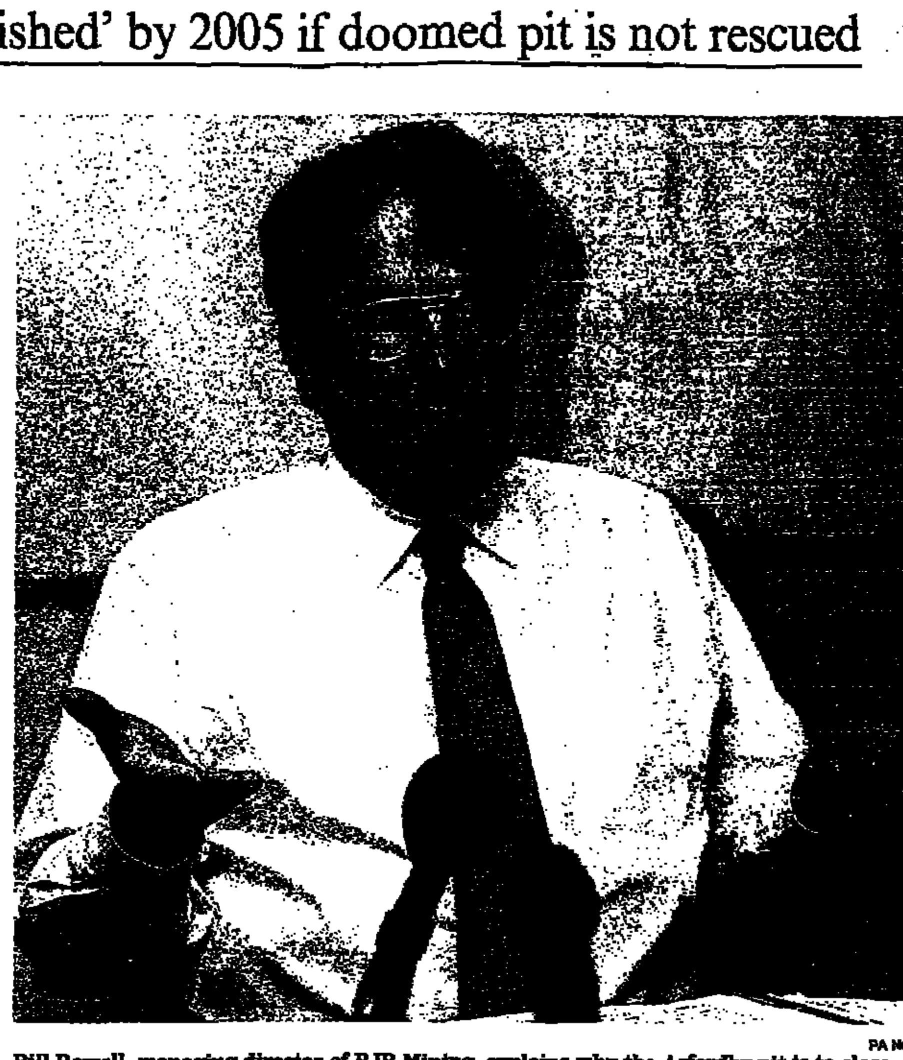
"It is entirely a matter for the commercial company involved," it said.

John Battle, science, energy and industry minister, said the closure of the mine was a "great disappointment". He pledged to use government resources to ensure a future for British coal.

Mr Battle said the government was doing all it could to bring together the science and technology and energy departments' efforts to develop clean coal power stations. Clean coal technology is more efficient and produces lower emissions of pollutants, but it is more expensive than conventional coal technology and requires a subsidy to get it running.

Since coming into production in April 1995, Asfordby has produced 1.5m tonnes of coal. The colliery made operating losses of £16.3m in 1995 and £19.9m in 1996. It recorded a small profit in the first six months of this year.

Last week the mine suffered widespread flooding in an area that had only recently been vacated by miners.



PA News

Bill Rowell, managing director of RJB Mining, explains why the Asfordby pit is to close

Toll plan may be road to trouble

'Green challenge' threatens both motorway scheme and inward investment opportunity

Environmentalists are planning to mount a legal challenge to the government's £400m ($652m) plan to build the UK's first toll-paying motorway.

Officials of the Friends of the Earth organisation will meet lawyers this week to plan a legal battle against the privately financed Birmingham northern relief road, designed to reduce congestion on the M6 motorway which links the English midlands to the Scottish border.

The environmental group hopes legal delays will deter investors from financing the road, when the government is also reviewing its transport policy. It believes it can capitalise on strong local opposition to the road and another government-backed development in the region's green belt.

The road – to be opened in 2002 – will pass less than 3km from the site of a planned £1.5bn semiconductor plant on farmland north of England's second-largest city. Earlier this month, John Prescott, deputy prime minister, overturned an inspector's report which rejected the semiconductor plant because of the loss of almost 60ha of green belt land. Green belt areas are supposed to be protected from development to avoid the spread of conurbations.

Local members of the opposition Conservative party hope the two developments will form a springboard for their political recovery in middle England. Sir Norman Fowler, the party's chief environment spokesman, is one of only two Conservative MPs left in the Birmingham area.

Although the plans for a semiconductor plant were drawn up under the Conservative government, Sir Norman is now considering a legal challenge to the plant, which is close to the heart of his Sutton Coldfield constituency.

In the case of the toll road, MPs from the governing Labour party in the region have objected to the government's decision, after campaigning against the project in opposition. But, with both developments, the government has given its backing to local business leaders, arguing that the regional economy is more important than the environment.

Manufacturers in north-west England and west Midlands are expected to benefit most from the two plans. Birmingham Chamber of Commerce describes the long traffic jams on the M6 motorway – which last up to 12 hours a day – as "an enormous economic and environmental burden".

But it is the semiconductor plant which has attracted most optimism, with the prospect of up to 4,800 jobs in a new industrial sector in the region. In an area which is dominated by traditional metal-based engineering – particularly the automotive sector – the chance to establish a foothold in high-tech manufacturing has been chased for several years. Birmingham's Labour-dominated council, which owns the site for the proposed plant, says it is prepared to sacrifice the city's green belt only for such an important economic project.

Gerard Coyne, the council's economic development chairman, says: "Coming fast on the heels of the northern relief road, it must seem as if we are wiping out huge swathes of the green belt. But the essential importance of [the development] is to attract a key player in the potential growth sector of the next 10 or 20 years.

"There was an absolute economic necessity for a one-off project, and I am firmly convinced that in Birmingham this will be the only one-off."

Philips, the Dutch electronics group, is the front-runner to invest in the site. But inward investment experts at West Midlands Development Agency say that up to a dozen potential investors are seeking such a site. Their confidence is based on the enthusiasm of Siemens of Germany to build its £1.1bn semiconductor plant in the region. A lack of suitable sites meant the project was transferred to north-east England.

But the Birmingham region's green belt remains attractive, largely because it commands a full range of UK grant aid as well as access to one of the largest regional aid funds in the EU.

For Paul Richards, chief executive of WMDA, the Siemens experience proved that large investment projects, particularly in electronics, could be attracted only by land which was unavailable in urban areas.

He says: "The advantage of [the proposed site near Birmingham] is that the ownership is in the hands of the local authority, and they can keep it green until they find the right project."

Richard Wolffe

Editorial Comment, Page 11

Lottery operator loses case over bets

By John Mason in London

Camelot, the consortium which operates the National Lottery, yesterday lost its private prosecution of three leading betting companies when a court ruled that "49s", a rival numbers game, was a legal form of betting.

Magistrates in London ruled that the game, operated by bookmakers William Hill, Coral and Ladbrokes, was not an illegal lottery as Camelot had claimed. The members of Camelot are Cadbury Schweppes, the UK food and drink group; De La Rue, the security printers; Racal Electronics; ICL, a UK offshoot of Fujitsu; and GTech, the US lottery equipment supplier.

Screened live in betting shops, 49s involves customers betting on the likelihood of up to five numbers being randomly selected from a total of 49. As with the National Lottery, the numbers are marked on coloured balls emerging from tubes.

Magistrate Ronald Bartles said he was "wholly persuaded" by the betting companies' case that 49s was not a lottery because it involved fixed-odds betting, did not involve the distribution of prizes and the outcome was not affected by the number of players.

The legal defeat is the third suffered by Camelot over the issue. The lottery operator launched its campaign against 49s last year, claiming it threatened the revenues – some £9m ($14.7m) – raised for "good causes". However, last December the Crown Prosecution Service rejected Camelot's request for action against 49s, deciding the game was a legal scheme rather than a lottery.

Camelot indicated yesterday that it would continue its legal battle. A spokesman said: "We are disappointed by the ruling. However, this is just the first stage in the process of clarifying the law and we are intending to appeal".

Mr John Brown, managing director of William Hill and chairman of 49s, said the bookmakers were "delighted" at the outcome.

Circuit makers mount defence

By Peter Marsh in London

Makers of printed circuit boards are being hit by a spate of legal claims from customers that the items are defective and threaten the operation of their own products.

The claims have led to the Printed Circuit Interconnection Federation, the main UK trade body for the industry, arranging a special insurance package for its members to protect themselves against heavy financial losses.

The package to protect companies against "consequential losses" resulting from their products being faulty is being offered by Zurich Insurance, the large Swiss-based insurance group. The policies are being arranged by Gembridge, a broker based in Coventry in the Midlands. The policies cover losses of up to £500,000 ($815,000) and typically add an extra 10 per cent to a company's general business insurance.

According to Brian Haken, the federation's director, roughly half the 140 PCB makers in his group have recently been faced with claims for damages arising from faulty components. In some cases, the claims can amount to more than £100,000 and can threaten a small company with bankruptcy.

The claims are not seen as a result of specific quality problems in the UK's PCB industry – which since 1990 has doubled annual output to about £600m and has a good productivity record. PCBs are increasing complicated, which makes it harder to guarantee that all will work to specification.

Moreover, many of the biggest customers for PCBs are multinational companies making anything from cars to washing machines which are increasingly eager to use legal procedures to claim damages for problems that could be extremely costly. Such faults could lead to expensive product recalls.

Deputy PM deplores German dome contract

By David Wighton, Political Correspondent

John Prescott, the deputy prime minister, yesterday provoked an angry industry reaction by claiming that awarding the £6m ($9.8m) millennium dome contract to a German company was a "sad reflection" on the UK construction industry.

Industry leaders attacked the comments as unjustified and said the significance of one contract out of a £250m project had been overstated.

Mr Prescott's remarks also brought him into renewed conflict with Peter Mandelson, the minister without portfolio, who at the same time was praising the success of UK companies in winning the bulk of the millennium dome work.

Mr Prescott fuelled rumours about tensions at the heart of government by cracking a joke about Mr Mandelson's ambition to win a seat on the Labour's party's National Executive Committee, the party's policy forming body. At a photo call after a tour of the Greenwich millennium site, Mr Prescott held up a jar containing a crab caught in the Thames.

Addressing the creature, Mr Prescott asked: "Do you think you will get on the executive, Peter?"

The jibe follows reports about friction between Mr Prescott and Mr Mandelson, who have been providing the government's public face while Tony Blair, the prime minister, is on holiday in France.

Mr Mandelson, who is in charge of the Millennium Exhibition, paid tribute to UK companies which have won 24 of the 25 large dome contracts so far awarded.

On a visit to Coventry-based Keller Ground Engineering, which will provide the dome piling, Mr Mandelson denied that the awarding of the contract of the dome skin to Munich-based Koch Konstruktive Membrane was a bad reflection on the UK industry.

"The huge bulk of work and the value of what we are doing at Greenwich is being taken up by British companies," he said.

Mr Mandelson's comments were supported by Neville Simms, the chief executive of Tarmac and chairman of the Construction Federation major contractors group.

Mr Simms said he was "worried" by Mr Prescott's attack on the UK construction industry's failure to win the dome skin contract, which he pointed out was a highly specialist product for which no UK-based company had sufficient capacity.

One senior construction executive suggested that the fact that companies from outside the UK had gained only one of 25 large dome contracts might raise eyebrows in Brussels.

"There was open competition for all the work but it is extraordinary that UK companies did so well, particularly given the strength of the pound."

UK NEWS DIGEST

$2m BP threat to Greenpeace

British Petroleum announced yesterday that it would sue Greenpeace UK and four of its members for £1.4m ($2.28m) over losses sustained during the pressure group's recent occupation of a mobile oil rig in the North Atlantic. Greenpeace UK said it might go out of business if it lost the action.

The claim for damages follows the eight-day Greenpeace occupation of the Stena Dee, which ended on Sunday after police arrested four activists aboard the rig.

The rig was chartered to work at BP's Foinaven oilfield west of Shetland but Greenpeace intercepted the platform on its way from Norway. The rig was repeatedly blocked by Greenpeace divers and arrived at its destination last Saturday, five days later than planned.

BP said the size of the claim was based mainly on the £100,000 a day it cost the company to hire the Stena Dee. "Their [Greenpeace's] actions were unlawful," it said. "They interfered with our legitimate business and caused us to suffer financial losses." *Michael Peel, London*

■ PUBLIC FINANCES

Surplus of $6.3bn recorded

Bumper value-added tax receipts left the public finances in unexpectedly good shape last month, with the government's revenue exceeding its spending by £3.9bn ($6.35bn).

July's surplus was more than double the £1.8bn recorded in July 1996 and increased speculation that the government may undershoot its Budget forecast for the public sector borrowing requirement (PSBR). The Treasury reported that July's total of just over £5bn in VAT revenue was the largest monthly cash figure on record. The same period last year saw VAT receipts worth £3.8bn.

The size of the figure points to stronger economic activity, in line with the projections in July's Budget. In the financial year to date, VAT revenue is up by 7.2 per cent on 1996. Inland revenue receipts also rose, by £1.4bn. Overall central government spending is unchanged, compared with an increase of 1.7 per cent included in the Budget. *Richard Adams, London*

■ SCOTTISH EXPORTS

Strong pound blamed for fall

Exports from Scotland fell nearly nine per cent in the second quarter of this year, mainly because of the high value of the pound.

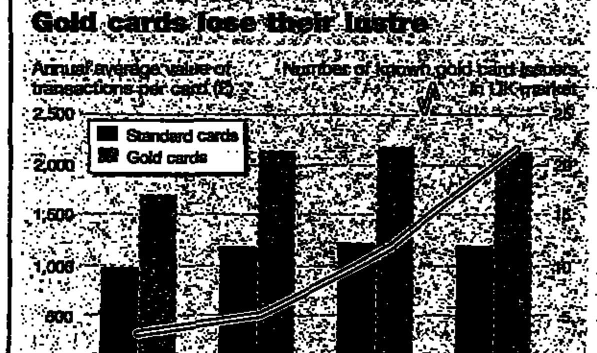
The Scottish Council Development and Industry which compiles a quarterly index of export performance, said the outcome matched reports from its members who said they were becoming increasingly uncompetitive in many markets because of the pound's strength. Exports from a panel of 26 companies, which together account for half Scotland's total exports by value, fell by £400m ($652m) to £4.06bn compared with the previous quarter's figure of £4.46bn. The fall of 8.7 per cent in the index contrasted with a rise of 2.1 per cent that had been projected for the period. *James Buxton, Edinburgh*

■ CREDIT CARDS

Qualifying salary lowered

Gold cards, once the preserve of the affluent, are starting to lose their lustre, says a new report.

The number of gold cards in issue has rocketed from 800,000 four years ago to 2.5m last year, according to Datamonitor, the management consultants. The 300 per cent increase has lowered the kudos that went with having a gold card in the late 1980s.



Gold cards offer higher credit limits, lower interest rates and better perks, such as travel insurance, than ordinary credit cards. However, the annual fee is generally much higher. Card issuers have increasingly turned their attention to the gold card market as margins in the standard market have been squeezed by a surge of new entrants. Issuers have frozen the minimum qualifying salary for gold card holders for the last few years – typically at £20,000 ($32,600) – just above the national average salary. *Christopher Brown-Humes, London*

■ SUPERMARKETS

$32m price cut campaign

Safeway, the UK's third-largest supermarket chain, yesterday launched a £20m ($32.6m) price cut campaign intended to drive home to customers that it is no more expensive than its main rivals.

Roger Ramsden, director of brand marketing, said the company expected more than two-thirds of the £20m to be spent in price reductions. But customers who are still able to buy a comparable product more cheaply at one of Safeway's competitors within a three-mile radius, will get another pack of that product for nothing or their money back. Mr Ramsden said Safeway was not seeking to start a price war. *Alison Smith, London*

Lex, Page 12

Sons of Cornwall wait in line for distant nationhood

Robert Wright meets some bitter separatists from a Celtic fringe party

Dick Cole is refreshingly frank about why his party has no solid plans for implementing home rule in Cornwall, the county in the far south-west of England. "It seems a hell of a lot of work to do to bring out a paper no-one is going to read."

Sometimes everything to do with being a leading figure in Mebyon Kernow (Sons of Cornwall in the ancient Celtic language of Cornwall) must seem "a hell of a lot of work". Founded in 1951 to fight for Cornish national identity, the party is still depressingly far from a grand electoral breakthrough.

When it is suggested that conversation about the party need not dwell excessively on election turn out and voting patterns, Mr Cole eagerly agrees: "That suits us just fine."

Mr Cole and fellow Mebyon Kernow activists are still almost visibly shaken by the general election on May 1. Their 700-strong party, whose telephone number is connected to the back shop of a now defunct picture framers' business in the town of Liskeard, met the full fury of the Labour election machine in Falmouth and Camborne, Labour's main target district in the county.

The party averaged just one per cent in Cornish general election seats, but scored a respectable 10 to 15 per cent in county council seats it contested the same day. It is small wonder that – unlike some of their nationalist counterparts elsewhere - Mebyon Kernow is not making too many demands about the kind of devolution it wants.

"The Welsh proposals look brilliant to us, even though they look weak to the Welsh," said Mr Cole. "As for the Scottish proposals, they look absolutely magnificent."

Mr Cole's fellow activists, sitting round a pub table in Truro, the chief city in Cornwall, seem typical fringe party members. Mr Cole is an archaeologist. Conan Jenkin is a college lecturer. Pol Hodge, who has the keenest sense of the injustices visited on Cornwall, is an arts officer and Cornish language poet. Peter Wills, when he can find work, does economic research. All the men sport beards. Most are bitter.

Asked what keeps the party going, Pol Hodge says: "Generations of English oppression," before describing how his father was sent to pick up stones in a field while second world war evacuees were given Cornish children's school places.

"We make a good job of oppressing ourselves," Dick Cole counters. "If we wanted [devolution] we could vote for it and take it."

The Cornish will be last on the list of Celtic nation self-determination stakes if the Scottish and Welsh proposals go through. However, if anyone thinks the Labour government's proposals for devolution to the English regions are going to pacify the Sons of Cornwall, they had better think again.

"It's going to be a seven-county parliament," says Mr Cole. "It's going to stretch to the other side of Bristol."

In fact, any attempt to include Cornwall with the rest of south-west England angers MK – particularly when it comes to coverage of rugby union's county championship, a competition regularly won by Cornwall in which other participants take little interest.

Peter Wills says: "During the last rugby final, the commentators kept referring to the West Country. All the crowd were with Cornish flags and other elements of Cornish identity. You could see watching it that there's nothing to do with the so-called West Country."

Such discontent finally seems to be ending the electoral lean patch suffered by the party since 1979, when it scored four per cent in the general election.

Spirits have been particularly warmed by the response this year to the anniversary of the 1497 Cornish uprising. But a shake-up on a scale that would require Dick Cole actually to write down a policy on devolution seems as far away as ever.

TECHNOLOGY

Kindlier cuts

Lasers are being used for increasingly diverse medical applications, writes Vanessa Houlder

Light fantastic

When the first medical lasers were introduced in the 1960s, they ushered in a bloodless revolution. Their ability to cut with extreme accuracy, control bleeding and sterilise tissue has made them invaluable for a wide range of problems including cancer, eye defects, snoring, moles, tattoos and birthmarks.

Now lasers are becoming even more versatile. Several applications have emerged in fields as diverse as dentistry, cardiology, medical research, non-invasive diagnosis and cancer, that do not depend on lasers' ability to cut soft tissue.

Anyone who dreads the dentist's drill will welcome the arrival of the laser as a viable, if expensive, alternative. "The use of lasers in dentistry is medicine for the 21st century," said Bruce Burlington of the US Food and Drugs Administration in May, when it decided that a laser device could be used for removing tooth decay. The technique has been found to cause less pain to the patient, while allowing more of the healthy tooth to be saved when a cavity is being cleaned.

The FDA has also recently recommended conditional approval of a new generation of lasers for use in eye surgery. The technique, called Lasik, can treat relatively severe short-sightedness by lifting a flap in the cornea before removing material. Because it does not injure the clear membrane covering the cornea, its proponents say, it is less painful and may heal more rapidly than the widely used photorefractive keratectomy, in which an excimer laser (which produces a high energy ultraviolet beam) alters the shape of the cornea.

As well as allowing people freedom from spectacles and contact lenses, lasers are making ever greater inroads in cosmetic surgery. For instance, there is increasing interest in using lasers to resurface skin. Surgeons are using high-energy pulsed carbon dioxide lasers to vaporise layers of skin so quickly that little heat is conducted to the tissues underneath and the thickness of skin removed can be controlled with great precision.

Lasers are also being used to prevent unwanted hair from regrowing. SLS Wales, a laser company, has sold 35 lasers for hair removal in the UK, Australia, New Zealand and South Africa. Although mostly used to remove facial hair, the technique could also help people who have had reconstructive surgery to prevent unwanted hair growing where the skin has been grafted.

Photodynamic therapy increases the already awesome accuracy of lasers — *Photograph: Charles Milligan, Nursing Times*

Many promising medical applications of lasers are still experimental. One is using lasers to cut through hard tissue for bone surgery. At the University of Manchester, researchers believe that certain lasers can give more precise control for small bones on the face or spinal column than mechanical methods using drills and saws.

Another promising area is minimally invasive diagnosis. In this technique, known as optical biopsy, an optical fibre probe carries laser light to the tissues to be examined. The tissue fluoresces and scatters the light, which is transmitted back to a detector that compares its "signature" with that of healthy tissue.

This technique, which was pioneered at the Los Alamos National Laboratory in New Mexico, has been used to detect bladder cancer and is being tested on cancers of the colon, stomach, cervix and eye.

Cardiology has also received attention from laser researchers. In particular, a technique called transmyocardial revascularisation – where a high-powered carbon dioxide laser creates new channels in the oxygen-deprived heart muscle – has been tested on patients who have failed to respond to conventional treatments. But PLC Systems, one of the pioneers in the field, received a severe setback last month when the FDA withheld approval of its TMR device, being unconvinced of its effectiveness.

Even when treatments have proved to be effective, many people approach laser surgery with trepidation. It is widely recognised that lasers should not be used if conventional surgery is equally effective. Although problems are rare, it is important that operators are either experienced or closely supervised.

Lasers for Life, a medical laser charity, is trying to fund the development of a simulation device to help doctors practise laser surgery. "We found it very surprising that on many occasions, the first time a doctor uses a laser is on a patient," says John O'Brian of the University of Liverpool's electrical engineering department and chief executive of the charity.

Cost is another constraint. About $204m (£136m) was spent worldwide on surgical lasers in 1995, according to Frost & Sullivan, market researchers. At tens of thousands of pounds, a laser is an expensive option for a hospital – even though it can cut costs by allowing patients to be released more quickly.

This constraint could possibly be eased by substituting an alternative light source. Researchers at the Christie Hospital in Manchester, backed by the Cancer Research Campaign, are experimenting with using light from a xenon arc lamp – which costs a fifth as much as the equivalent laser – to treat cancer.

The idea that non-laser light could supplant lasers in some applications could have enormous cost benefits, says Neville Krasner, president of the British Medical Laser Association. Even so, he is confident that the role of lasers in medicine will continue to expand. "Almost day by day, new applications are coming through," he says. "There is a very bright future for lasers."

This concludes the series on new uses for lasers. Another series on medical equipment begins later this year.

Surgery comes under a new light

Lasers emit light with awesome precision. But an emerging technique known as photodynamic therapy allows them to be used with even greater accuracy. The approach relies on light-activated chemical "dyes" that are selectively absorbed in the tissue being treated. When the tissue is irradiated with a laser, only the stained tissue absorbs the energy and is destroyed.

PDT has potential applications in a number of medical specialities, most prominently in cancer. "It holds enormous promise," says Neville Krasner, president of the British Medical Laser Association.

The drugs used in PDT are still mostly experimental. But the results of tests carried out on cancers of the mouth, lung, pancreas, prostate and uterus are encouraging. PDT can kill all the cancer cells in a tumour with little scarring and few side-effects – although patients have to avoid light until the drug wears off.

Researchers are also attempting to use PDT as a treatment for the "wet" form of age-related macular degeneration, when abnormal blood vessels grow in the retina, causing scar tissue to block the patient's vision. A photo-sensitive drug is picked up by molecules called lipoproteins, which are taken up strongly by the rapidly growing, abnormal blood vessels in the retina. A laser is then shone at the eye, which activates the drug in a way that stops the growth of the scar tissue.

The use of lasers in conjunction with light-sensitive compounds could also have a role in preventing gum disease. At the University of Manchester, researchers are using laser light and a photosensitising dye – which attaches to bacteria via a "monoclonal antibody" – to inactivate the bacteria that form plaque on the surface of teeth.

Although there are a number of obstacles to overcome before PDT becomes a mainstream treatment, it has already demonstrated that it could become one of the most powerful and versatile of the new generation of laser treatments.

VH

Tom Mead on prospects for a universal substrate for chips

A revolution in the making

In spite of the considerable virtuosity at alchemy displayed by scientists and engineers in the semiconductor industry, they have for decades struggled unsuccessfully with a seemingly simple materials conundrum.

Some semiconductors – the tiny current-conducting crystals that are the heart of all integrated circuits – can be "grown" as thin films of semiconducting material deposited on some base (substrate) materials. But due to fundamental incompatibilities between semiconductors and these materials, there is no single substrate where all, or even most, classes of semiconductors can be grown.

The development of a tough, inexpensive "universal substrate" would revolutionise the industry by allowing entire new classes of microelectronic and optoelectronic devices – new lasers, detectors, sensors, imaging systems, signal processing and computer chips, compact discs, data storage devices and dozens of other devices – to be produced.

That development may soon be accomplished by researchers at Cornell University in Ithaca, New York. They appear to have devised a technique that produces a "universal substrate" where any type of semiconductor crystal can be grown.

"This is preliminary work, but if it truly works, and we think it will, it could revolutionise the microelectronics industry," says Yu-Hwa Lo, Cornell associate professor of engineering and project leader.

Four considerations drive the research towards a universal substrate. First, robust, versatile silicon is less expensive than other substrate materials.

Second, there are many materials that cannot be used to form substrates, at any price, but from which very desirable semiconductors can be grown.

Third, many substrate materials are too fragile to withstand the rigors that may exist in some environments (acid attack, violent vibration, extreme heat or cold, abrasion by high-speed particles).

Fourth, the development of a universal substrate would open the door to the production of compound semiconductors. In a compound semiconductor, a number of semiconductor crystals, exhibiting a wide range of desirable electrical characteristics, co-exist on the same computer chip.

Mr Yu-Hwa's group calls their development "a compliant substrate". By slightly rotating a semiconductor thin-film and bonding it to a substrate, the new surface of the substrate becomes structurally compliant, permitting a crystal of any semiconductor material to grow on its surface.

In conventional semiconductor production, even a 1 per cent misalignment between the semiconductor crystals and the crystals of the substrate results in serious problems. In contrast, the new compliant substrate method has shown that it can overcome much more serious lattice alignment mismatches – up to 15 per cent – and still produce viable semiconductors.

The research team is trying to extend that tolerance of misalignment to 20 per cent so that another compound semiconductor, gallium nitride, can be grown on silicon compliant substrates. If it can be done, and they expect that it can, then high-quality blue and ultraviolet semiconductor lasers can be fabricated, as well as high-temperature, high-power electronic circuits.

The ability to grow single crystals of any material on silicon may breed an entire new generation of electronics – Ultra Large Scale Integrated circuits – having several types of semiconductor operating simultaneously on the same motherboard.

INTERNATIONAL PEOPLE

Zeneca loses U'Pritchard

Zeneca has suffered its third high level defection this year with the move of research director David U'Pritchard who has become chairman of research and development at rival drugs company SmithKline Beecham.

The move came just over a week after the company lost John Mayo, finance director, to General Electric Company and a matter of months after Ed Dart moved from research head at the seeds division to run start-up biotechnology company Adprotec.

U'Pritchard, 49, has been based in the US for Zeneca running the research at Wilmington, Delaware and commuting to Zeneca's research centre near Manchester in England. At SmithKline, the commute will be between Philadelphia and Brentford, west London.

The move gives U'Pritchard a significant salary increase. At Zeneca he was earning less than £300,000 ($480,000) a year. The man he is replacing at SmithKline, George Poste, earned £790,000 last year in salary, fees, benefits and bonus plus £140,000 in pension contributions.

Poste remains a main board member at SB and U'Pritchard will not join the board. He wil report to J P Garnier, SB's chief operating officer.

U'Pritchard is a graduate of the universities of Glasgow and Kansas. He was an academic at Johns Hopkins and Northwestern universities before being involved in 1983 in the launch of Nova Pharmaceuticals. He joined Imperial Chemical Industries in 1986 as vice-president of biomedical research. Zeneca demerged from ICI in 1993.

Zeneca is replacing U'Pritchard with Richard Auty, 50, currently development director. Auty will take on research in addition to his current duties.

Both companies are going against the drugs industry trend by having a single executive overseeing both research and development. Many companies, including the world biggest two, Glaxo Wellcome and Novartis, separate the two on the grounds that inventing a new drug requires a creative spark whereas pushing it through the series of clinical trials demanded by regulators needs a pushy organisation.

Sir David Barnes, Zeneca's chief executive, said that there was "no hard and fast rule" over whether research and development should be managed together.

Daniel Green, London

Departures at LGT after shake up

Warren Shaw, 47, one of the few African Americans running a big fund manager, has quit less than a year after his company, New York-based Chancellor Asset Management, was bought for $300m by Liechtenstein Global Trust, the financial services arm of Liechtenstein's royal family.

Shaw, who had spent 15 years at Chancellor, resigned after a policy clash with the new owners. LGT bought Chancellor to give it critical mass in the US institutional money management business and balance its GT Global operation, the seventh biggest manager of international mutual funds for US retail investors. Shaw was made chief investment officer of the combined operation and Penny Zuckerwise, Chancellor's president, was made chief operating officer.

However, LGT's hope that Chancellor's management team would beef up its performance appears to have been undermined by the different cultures of the institutional and retail businesses. LGT has now decided to separate the management of the two businesses in North America and this prompted Shaw's departure. Zuckerwise, is also leaving along with Jeffrey Trogone, Chancellor's chief financial officer, and Rachel Arfa, chief legal officer.

Paul Loach, 46, managing director of LGT Asset Management in the UK, will oversee the institutional business in New York and chair the Chancellor LGT board, and William Guilfoyle, president of GT Global, will manage the US mutual fund business in San Francisco. Loach will commute across the North Atlantic until a new chief executive and chief investment officer are found for Chancellor.

The departures are the latest in a series of changes at LGT which described its SFr127bn ($191bn) asset management business as "less than satisfactory" in its recent half year results. In February David Minella, resigned as overall head of asset management, and his job was added to that of Anton Schwaiger, LGT's chief operating officer, and private banking chief. In June, Joe Canavan, president of the group's fast-growing Canadian operation, left to start up his own company.

Pelletreau joins US law firm

Robert Pelletreau, former assistant secretary of state for near eastern affairs, has joined Afridi & Angell, the international law firm, as resident partner of its Washington office.

Pelletreau graduated from Harvard Law School in 1961 and before joining the foreign service he practiced law with Chadbourne & Parke, the New York law firm.

Prior to his present appointment he held a number of foreign postings. He was assistant secretary of state for near eastern affairs from February 1994 to January 1997 and before that was US ambassador to Egypt, Tunisia and Bahrain. As ambassador to Egypt Pelletreau was a member of the US delegation to the 1991 Madrid Middle East Peace Conference and as ambassador to Tunisia he conducted the US dialogue with the Palestinian Liberation Organisation.

ON THE MOVE

■ GOTTEX FINANCIAL PRODUCTS, the interest rate derivatives specialists, has appointed Mark Thé,33, head of trading. He will join Gottex Fund Management, Lausanne, as a member of the management committee and will have primary responsibility for trading the global swap fund and other interest rate hedge funds and investment products offered by the Gottex Group. Thé joins from ABN Amro Bank in Amsterdam.

■ ELF ATOCHEM has appointed Marie-Pierre Chevallier its new econonmic, planning and strategy manager. She joined the company in 1983.

■ Senior German civil servant Klaus-Dieter Scheurle has been appointed president of the new German post and telecommunications regulatory authority, which will take over from the Posts Ministry at the end of the year.

■ SYBASE'S Mark Hoffman has resigned as chairman to focus on COMMERCE ONE where he is president and chief executive. Hoffman founded Sybase in 1984 and Commerce One in April 1997.

■ Spanish Utility EMPRESA NACIONAL DE ELECTRICIDAD, known as ENDESA, has appointed two deputy chairmen, Juan Echevarria Puig and Manuel Otera Luna. Echevarria Puig is the chairman of Endesa's 75 per cent-owned subsidiary Fuerzas Electricas de Catalunya (Fecsa) and Otera Luna is the chairman of another seventy five per cent owned subsidiary, Cia. *Sevillana de Electricidad.*

■ BHP has appointed three senior managers to head operations in Melbourne. Gary Evans becomes the new corporate general manager, Lance Hockridge will be group general manager of human resources and Bob Flew will be the corporate general manager of international operations.

■ AMP, the supplier of electrical and electronic connectors and interconnection systems, has appointed Carol Ritter regional executive, Americas region, for the newly formed power technology division. Ritter was vice-president of general services and engineering and manufacturing assurance for AMP's Americas region.

■ NORTEL CALA has appointed Adis Vila director of government affairs. Vila will be responsible for the strategic development and management of the Nortel government relations program for Latin America and the Caribbean and will be based in the Nortel CALA headquarters in Sunrise, Florida. Most recently, she was vice-president of international business development for the Vigoro Corporation in Chicago.

■ BARNES & NOBLE, the world's largest bookseller, has appointed Marie Toulantis executive vice-president, finance. She was formerly a senior vice-president of Chase Manhattan Bank.

■ ARTHUR ANDERSEN has appointed Jim Wadia to succeed Richard Measelle as its world-wide managing partner.

■ China's SHENZEN DEVELOPMENT BANK has appointed Zhou Lin as the bank's new president. Zhou was previously the president of the Shenzen branch of the Guandong Development Bank.

■ SOCIETE GENERALE has appointed Rupert Allan head of European fund management relationships. He joins from Credit Lyonnais Rouse.

■ CREDIT SUISSE ASSET MANAGEMENT has announced three new appointments to its central and eastern European equity team with a view to expanding the fund range towards the end of 1997. Isabel Knight joins as an associate director specialising in central and eastern European equity markets. She joins from foreign and colonial emerging markets in London. Sergey Chernyshov joins as a portfolio manager/analyst with responsibilty for Russian and other former CIS equity markets. He joins from Brunswick Capital Management in Moscow. Dildora Yusupova joins from the central/eastern European banking group of Citibank in London. She has been appointed as an analyst specialising in Russian and other former CIS equity markets.

■ MUELLER INDUSTRIES has appointed Robert Gillespie its managing director of European operations. Prior to joining the company, Gillespie was a divisional vice-president brass rods and wires for Trefimetaux in France.

■ DONALDSON, LUFTKIN & JENRETTE, an integrated investment and merchant bank, has announced six appointments in its emerging markets group, continuing the firm's expansion into international markets. In London, Christopher Rencki, 47, joins as director of emerging Europe corporate debt research. Robert Hartmann, 39, has joined as senior vice-president, head of emerging Europe cash sales. Rencki was previously head of corporate debt research at ING Barings Securities. Hartmann joins from Chase Manhattan Bank. Wayne Chou, 41, joins from Bankers Trust as a vice-president in DLJ's Hong Kong office. Joining DLJ's emerging markets group as vice-presidents in New York to focus on Latin America are: Charles Achoa,, 31, formerly with SBC Warburg, Diego Teran Lopez, 30, previously with Banco Nacional de Mexico, and Christiano Magarinos de Souza Leao, 26, who joins from Banco Excel Economico.

■ Liz Taylor has joined EQUIFAX RETAIL SOLUTIONS as group risk management director. Taylor's previous employment encluded 10 years with Harrisons & Crosfield as group risk manager.

■ ANZ INVESTMENT BANK, the investment banking arm of Australia and New Zealand Banking Group, has appointed Robert Russell director of global finance. Russell was formerly head of European multi-national banking.

■ SANTANDER INVESTMENT has recruited Philip Bullen, Christopher Goudie, Peter Hartley and Kathryn Matthews to build a global asset management business for Santander. All four were main board directors of Baring Asset Management and collectively had been responsible for the management of BAM's institutional asset management business worldwide except Asia.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

LEGAL NOTICES

No. 003245 OF 1997

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF ICCH LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30 July 1997 confirming the reduction of capital of the above-named Company from £6,750,000 to £150,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 8 August 1997.

Dated this 19th day of August 1997

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Ref: WHT/N06900182

Solicitors for the Company

LEGAL NOTICES

BAR REFRIGERATION LIMITED

REGISTERED NUMBER: 00697522

Trade classification: 11

Date of appointment of Joint Administrative Receivers: 11 August 1997

Name of appointor: National Westminster Bank Plc

DAVID JOHN STOKES and MICHAEL HORROCKS

Joint Administrative Receivers

(office holder nos 2682 and 8026) of

Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

'La Rue du Tramway', 1938-39, by Paul Delvaux: part of the bequest from Mrs Gabrielle Keiller, golf champion and marmalade heiress as well as collector

Heady days of high Surrealism

William Packer admires the Keiller collection in the Scottish National Gallery

The Scottish National Gallery of Modern Art, not 40 years old yet long-outstanding for the quality of its holdings, seems to be rapidly becoming a collector of remarkable collections. Three recent coups have had the mouths of much larger rivals watering, from London to Paris and New York. First came the collection and archive of Roland Penrose, active surrealist and close friend of Picasso for 40 years; then the papers and collections of Eduardo Paolozzi. Now, with the bequest of the collection of the late Gabrielle Keiller, whose interest embraced contemporary British art but was centred upon high Surrealism in all its aspects, the gallery is set to become one of the principal centres in the world for the study of Surrealism. With the opening next year of its annexe, The Dean, across the road, the potential will be fully realised.

As so often with significant collections, the quality of what was put together in quite short a time is still surprising. Here it amounts to some 173 framed works and sculptures that Mrs Keiller kept on display at her house on Kingston Hill, and over 250 archive and library items. It is by far the largest gift the gallery has ever had and this current display, *Surrealism and After*, gives us much of its scope and even more of its quality.

Mrs Keiller was a former golf champion and widow of Alexander Keiller, archaeologist and heir to the eponymous marmalade fortune. She began to collect modern art only in 1960, her interest triggered by seeing Peggy Guggenheim's collection at Venice, along with Eduardo Paolozzi's work then on show at the Biennale. Paolozzi was to remain a life-long friend, and his work from the 1940s to the '80s, prints, drawings and sculptures, constitutes one of the core groups within the collection.

From Paolozzi to Surrealism is no great step, and indeed in all her collecting of current art, the enduring surrealist or Dada connection, if at some remove, is always there to be made – Bruce Maclean; Barry Flanagan; Richard Long; Anthony Green; Richard Lindner; Ian Hamilton Finlay. There it is in the painted head by John Davies, and another head, cruelly masked in black leather, by Nancy Grossman. There it is, most clearly of all, in the Francis Bacon, that early, ambiguous, crouching figure, all coat, hat and hydrangea bush (1946).

But, Paolozzi and Bacon apart, her real heroes are those of the high days of Surrealism and Dada, from the 1920s to the 1940s – Magritte; Ernst; Tanguy; Delvaux; Dali; Duchamp; Giacometti; Hannah Hoch. And what is remarkable is not just the particular quality of the works as such, but the curious consistency of feeling and interest with which, in bringing them together, Mrs Keiller invests them. Such is the gift of the truly creative collector.

The works in general are not over-large, and there is to so many of them an overwhelming sense of the intimate and the private, preoccupied, self-obsessed. While with many of the more recondite publications and artists' books this sense is frankly sexual, it is more often incipient, latent, ambiguously so. Magritte's concentrated yet oddly distant "La Représentation" of the female hips, navel and sexual parts with its contiguous frame, Delvaux's tram with nudes at twilight, and, most especially, Salvador Dali's tiny "Signal de l'angoisse", of a golden, naked girl turning away towards a golden, glowing desert, are but three typically remarkable examples in a remarkable display.

A fire at Kingston Hill in 1986 luckily left the collection largely undamaged, but it broke Mrs Keiller's heart. She moved, began to think about dispersing her collection, and missed above all the garden she had made. Her health deteriorated and she died in 1995, at 87. I remember her well, a familiar figure of the art world, always lively, generous and engaging. Her bequest, so much in character, is in fact her proper and appropriate memorial.

In its other rooms, the gallery has several small displays, high in quality, among them three fine mystical landscapes by Paul Nash, and a group of Scottish Moderns that includes the fine group portrait by James Cowie, the figures set against an open window and distant landscape and, across the room, a strong portrait of his wife in red dress, languidly smoking a cigarette.

But most notable is the display of most of the gallery's Picassos, along with a loan or two, from the tiny early standing woman (1902) to a large artist-and-model painting of the late 1960s. So difficult and controversial when they first appeared, these late works seem more magisterial with each reappearance. There is also a poignant marine still-life, as beautiful in its simplicity as in its assurance. Calm indeed before the storm, it was painted in Paris in the spring of 1940, on Picasso's return from a visit to Royan.

Surrealism and After – works from the Gabrielle Keiller Collection: Scottish National Gallery of Modern Art, Belford Road, Edinburgh, until November 9: sponsored by McGrigor Donald Solicitors.

The Proms/**Richard Fairman**

A ready audience for Britten

Last weekend was nominated Britten weekend at the BBC Proms. In the past single composers have not been allowed to dominate any part of the festival, but perhaps this year a few interesting events coincided and the Proms decided to make a virtue out of necessity. A reappraisal of Benjamin Britten's importance as a composer is certainly going on at the moment. There is a serious interest growing up now in his operas, and to a lesser degree his small-scale works, both in Europe and the US, part of a larger desire all round to find new music worth playing. Britten's clear-headed musical style is finding a ready audience.

The big work of Britten weekend at the Proms was the *War Requiem* on Sunday. But more to the point the performers were also heading off from the Royal Albert Hall to give the first performance of the work at the Salzburg Festival. This is one of the key works of the 1960s: it is conceived on a large scale, a brilliantly planned statement of the composer's artistic and political beliefs, and it should have taken its due place in Salzburg years ago.

Judged purely on technical merit, the performance was of international standard. Andrew Davis had prepared the BBC Symphony Orchestra to a high level of precision and the combined choruses of the BBC Symphony and the City of Birmingham Symphony, together with the Choristers of Westminster Abbey, acquitted themselves admirably. But it failed to work at a deeper level, especially in the Wilfred Owen wartime poems where Britten's heart is engaged as well as his mind. Hans Peter Blochwitz and Thomas Hampson, the tenor and baritone soloists, offered well-groomed singing, but their music is asking for the issues to be addressed frankly, with some of the grit of the battlefield. Eva Urbanová was the edgy, Slavonic soprano.

The highlight of the weekend was a staged performance of the third of Britten's church parables, *The Prodigal Son*. This was the strongest of the three parable productions by the City of Birmingham Touring Opera earlier in the year. By casting aside the Japanese Noh-play style and setting the parable in a 1930s English farming family, the group successfully breathed new life into one of Britten's driest stage works. There was a fine young cast of singers and alert playing from the Birmingham Contemporary Music Group.

Brief notes on the other events: the Westminster Abbey Choir's Sunday afternoon Prom of sacred choral music, performed to a good standard, reminded us how deeply rooted Britten was in the Anglican tradition. On Saturday evening, as part of a Prom despatched in businesslike fashion by the Norwegian Chamber Orchestra conducted by Iona Brown, Ian Bostridge sang a very English, lyrical but insipid, performance of the *Serenade for tenor, horn and strings*.

Company drama goes to waste at the Old Vic

The Old Vic has long been a problem. Lilian Baylis, who, in the 1920s and 1930s, ran both "the Vic" and Sadler's Wells, used to shake her fist cheerfully at the audience in her famous curtain-speeches and cry "We must have better Monday nights, you bounders!" One wonders now if those not-good-enough Monday nights were for performances featuring Edith Evans, John Gielgud, Peggy Ashcroft and other Baylis luminaries.

Since then, both Jonathan Miller (who ran an impressive regime at the Old Vic from the late 1980s up to 1990) and Peter Hall (who launched his new repertory company there in March) have followed Baylis in hoping for better Monday nights; and, alas, for better Friday nights and Saturdays too. Gradually, Hall has succeeded in bringing more and more of the bounders in. And yet now – now that *Waiting for Godot* is selling out and a impressive-sounding *King Lear* is in rehearsal – the Vic's owners, Ed and David Mirvish, are putting the theatre up for sale again. The Hall season will end on December 6.

Will it leave a gap? Yes. The company's account of Caryl Churchill's *Cloud Nine*, for example, was the most entrancingly well-acted play in London during its three-month period in repertory; I saw it three times. *Godot* deserves its sell-out status, though I hope I can squeeze in to see it again.

More important than these individual successes, however, is the fact that had Hall's company lasted longer at the Vic, it would have left a much bigger gap. The fun of watching a theatre company in repertory is cumulative: you admire Jane X in a supporting role on Monday, only to find her more admirable in a leading role on Friday. You watch these actors challenge themselves, develop their craft, show features of themselves that neither they nor you had anticipated; and you learn about theatre from watching them learn.

More regular visitors to the National Theatre will know how marvellous it is to see Michael Bryant in role after role over the years there – he has been there since Hall's directorship – but also that few actors remain there for long periods in a series of plays. At the Royal Shakespeare Company, actors come to do three or more plays for just over a year, and then usually they are off again. In neither institution does one see young actors being carefully guided beyond their contributions to individual productions.

Perhaps it is old-fashioned to want companies to exert this kind of parental influence on young artists. And perhaps Peter Hall is not the person who could best exert that influence either. Nonetheless, seasoned actors such as Alan Howard and Denis Quilley, in the Old Vic *Godot*, are giving their freshest performances for years. It is very sad to think that all this may come to nothing on December 6 if Hall does not find his company a new home; and it is bitterly ironic to think he launched his regime with a play called *Waste*.

Alastair Macaulay

The Edinburgh Fringe/**Ian Shuttleworth**

The tyranny of image

The work of playwright Howard Barker – "complex, poetic and demanding on both actors and audience alike", as the programme notes have it – inspires admiration, respect, even reverence in certain quarters, but common-or-garden liking is not, it seems, an option. Last year's production by The Wrestling School (the company dedicated to staging Barker's works) of his *(Uncle) Vanya* brought to mind Peter Cook's E.L. Wisty character: "People came staggering out, saying, 'Oh, my God, what a rigorous play.'"

Wounds To The Face, staged at Stella Artois Assembly as part of its Edinburgh Fringe theatre bill, contains similar moral and intellectual preoccupations, but is altogether less daunting – partly, perhaps, because rather than consisting of a grinding continuous narrative it takes the form of a number of more or less discrete scenes, bearing titles such as "The Holy Orders Of A Terrorist" and "The Collaborator Reserves Part Of Himself". Occasionally – *mirabile dictu* – the Edinburgh audience even dares to laugh, having detected the odd, brief gout of humour in Barker's lines.

The theme is the tyranny of image, the oppressive insistence that outward form dictates identity. Characters include a woman fixated upon a mirror bemoaning her imagined deformities, another terrified to look at herself after 20 years' confinement "in a hole ... without a mirror", a reconstructive surgeon labelled "a critic of God" and a man, half of whose face has been blown off in a grenade attack and whose mother rejoices (insofar as joy is a Barkerian emotion) that once again she will be the only one to love him.

This being Barker, of course, there are rumblings of a revolution in the background, so that the grenade victim may in fact be an insurrectionist whose act of violence misfired against him. One or two historical scenes are interposed: a masked man in the Bastille, a despotic emperor and the artist who had the effrontery to paint a lifelike portrait of him. Posters of a dictator's likeness are displayed, repeatedly torn down and defaced upstage.

The cast of seven, under Stephen Wrentmore's direction, submit themselves devoutly to Barker's fibrous, sinewy writing as he negotiates the labyrinthine metaphysics of image-fascism. The prospect of treading the same maze for ourselves rather than being led through it by the nose may be daunting for an audience, but at 95 minutes ought not to be insuperable. Enter the theatre prepared to work, and you will be furnished with an abundance of material; even I begin now to see Barker's ... no, "appeal" is still the wrong word ...

Stella Artois Assembly (venue 3) until August 30. 0131 226 2428;

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Jiří Bělohlávěk in works by Brahms and Dvorák. With violin soloist Viktor Tretjakow; Aug 21

■ EDINBURGH

DANCE
Edinburgh International Festival
Tel: 44-131-473 2000
● San Francisco Ballet: programme of two works by Balanchine – Stravinsky Violin Concerto and Symphony in C – and Helgi Tomasson's *Sonata*, set to music by Rachmaninov; with the Royal Scottish National Orchestra conducted by Emil de Cou; at the Edinburgh Playhouse; Aug 19
● San Francisco Ballet: second programme opens with *Drink To Me Only With Thine Eyes* by Mark Morris to music by Virgil Thomson, followed by *The Dance House* by David Bintley, to music to Shostakovich and *Criss-Cross* by Helgi Tomasson to music by Scarlatti and Schoenberg; Aug 20

OPERA
● Ariadne auf Naxos: by Richard Strauss. This Scottish Opera production, directed by Martin Duncan and conducted by Richard Armstrong, provides an unusual opportunity to see the opera in the context originally conceived for it: as an operatic divertissement, to be performed in a version of Molière's play *Le Bourgeois Gentilhomme*. The play is performed in English in a translation by Jeremy Sams; at the Edinburgh Festival Theatre; Aug 20
● La Verbena de la Paloma (The Festival of the Dove): music by Tomás Bréton (1894), text by Ricardo de la Vega. Performed in Spanish with English supertitles, in a production directed by Calixto Bieito. With the Scottish Chamber Orchestra, conducted by Miguel Roa; at the King's Theatre; Aug 18, 19

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: and the Helsinki University Male Chorus conducted by Osmo Vänskä in works by Sibelius. Including the London premiere of newly rediscovered tone-poem *The Wood Nymph*, with soprano Kirsi Tiihonen and baritone Jukka Rasilainen; Aug 20
● London Philharmonic Orchestra: conducted by Sir Charles Mackerras in works by Schubert and Brahms, part of the Proms anniversary celebrations of both composers; Aug 21
● London Sinfonietta: conducted by Markus Stenz in a programme of pieces billed as 1990s classics: Oliver Knussen's *Two Organa*, Simon Bainbridge's *Landscape and Memory*, Sir Harrison Birtwistle's *Ritual Fragment*, George Benjamin's *Three Inventions* and Thomas Adès' *Living Toys*. With horn soloist Michael Thompson; Aug 19
● *Orchestra of the Age of* Enlightenment and Choir of the Enlightenment conducted by Mark Elder in works by Beethoven, Mendelssohn and Berlioz. All three works were conducted by featured composer-conductor Brahms in Vienna in 1873-4; Aug 19

■ LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-210 3080
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 19, 21
● Baritone Oliver Widmer: performs works by Schubert, accompanied by András Schiff; at the Union; Aug 20
● London Sinfonietta: conducted by Markus Stenz in works by Rihm, Benjamin and Knussen; with soprano Rosemary Hardy; at the von Moos-Stahl-Halle; Aug 21
● Royal Philharmonic Orchestra: conducted by Carl Davis in a programme including Tchaikovsky's 1812 Overture and popular film themes; at the von-Moos-Stahl-Halle; Aug 20

■ PARIS

EXHIBITIONS
Jeu de Paume
Tel: 33-1-4703 1250
César: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects loaned from museums and collectors in France and abroad; to Oct 19

Musée National d'Art Moderne, Centre Georges Pompidou
Tel: 33-1-4478 1233
Fernand Leger: retrospective of the early modernist, who emerged from the Cubist revolution around 1910 to move towards abstraction, but whose experiences in the war and socialist principles led him back to figurative painting. The exhibition will travel to Madrid and New York; to Sep 29

■ PESARO

Rossini Opera Festival
Tel: 39-721-33184
CONCERTS
Rossini's Petite Messe Solennelle: performed by soprano Carmela Remigio, contralto Mariana Pentcheva, tenor Juan Diego Florez and bass Michele Pertusi. With pianists Arnold Bosman and Rosetta Cucchi, and Federica Iannella on harmonium; at the Teatro Rossini; Aug 19

OPERA
● Il Barbiere di Siviglia: in a staging by Luigi Squarzina. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 20
● Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as *Moses in Egypt* in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 21

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
OPERA
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 19
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 20
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 19

THEATRE
Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 20

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 21
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 19

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
Pianist Peter Serkin: performs works by Takemitsu, Reger and Beethoven; Ozawa Hall; Aug 21

■ WASHINGTON

DANCE
Wolf Trap Tel: 1-703-218 6500
Tharp!: programme of new works presented by Twyla Tharp's new dance troupe; Aug 19

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Richard Notebaert and Bert Roberts offer opposing views on today's US telecoms ruling

End this waiting game

Consumers will benefit if the long distance market is opened to competition

Richard Notebaert: 'time to open up long distance markets'

In February 1996 Congress passed the Telecommunications Act to open the US communications markets to competition. But in the 18 months since then, Congress's vision of competitive telecoms markets has been undermined. Customers who expected the benefits of more choice, higher quality, better service and competitive prices, have been told to wait.

The Federal Communications Commission (FCC) can end this waiting game today by following the clear mandates of the act. At its heart is the simple idea of symmetry. When local markets open up to new competition, the long distance markets should open up as well – an idea Ameritech initially proposed to the FCC in 1993.

Since then we've done everything to hold up our end of the bargain. As a result our mid-western US markets are the most open anywhere in the world. We have agreed to interconnect our facilities with those of 56 other companies. So far 111 companies have petitioned regulators to compete in local service, and we have opposed none of them. More than two dozen companies sell phone services to residential customers today.

Our local competitors include companies many times larger than Ameritech such as AT&T and BT/MCI, as well as dozens of start-ups. Customers have switched more than 250,000 phone lines to competitors and that number grows by thousands each day.

Ameritech's commitment to comply with the letter and the spirit of the Telecom Act is widely acknowledged. In June the US Department of Justice said: "Local competition is beginning to take root in Michigan." And even Tim Price, president of MCI, has called Ameritech "the most inviting to competition" of all the Baby Bells.

It is time to open up long distance markets to competition from Ameritech. The sooner long distance competition begins, the sooner customers will benefit: they will save almost half a billion dollars each year in the state of Michigan alone.

So why hasn't Congress's intent been realised? First, there is no realistic road map for competition. Whether or not the FCC opens long distance markets to Ameritech today, it can advance the process. It should reject vague tests and impossible hurdles and instead provide realistic guidelines for local companies to enter long distance.

Second, regulators must see through the stalling tactics of the long distance cartel. Long distance companies have been encouraged to believe the longer they stall full-scale entry into local markets, the longer they can preserve the status quo and guarantee their own profitability. As customers well know, the big three US long distance companies have raised prices in lockstep – 31 per cent from 1990 through 1996. Only new competition can reverse this trend.

In the meantime, long distance companies are quietly cream-skimming the most profitable business and residential customers. Again, they are undermining the purpose of the act, which was to bring the benefits of competition to every home and small business, not only the telecom elite.

Purely as a diversion, the long distance companies loudly complain how difficult it is to enter local markets. They moan about the capital requirements of the local service business, which is four times more capital-intensive than long distance. They pose hypothetical questions carefully calculated to stump regulators and forestall competition. And they have made it a habit to blame others for their own miscalculations.

Yet there's a growing recognition that they have created these problems for themselves. Our local markets are fully open to them today and dozens of entrepreneurial firms are growing quickly by making the competitive model work. It is high time that the giant long distance companies realise what the Telecom Act was about – taking risks in markets, not guaranteeing success; making investments, not seeking a free ride.

The Telecom Act will work, but only when companies are willing to take risks, make significant investments and compete against incumbents. Ameritech has demonstrated this in mid-western cable TV markets, where we have mounted the first large-scale competition against US cable TV monopolies. In the 50 communities where we are offering competitive cable TV service or building cable systems, competition is forcing cable companies to upgrade their facilities, add channels, copy our around-the-clock customer service and hold back on rate increases. This kind of competition really lives up to the promise of the Telecom Act. But customers deserve the benefits of increased competition not only in local phone service and cable TV, but also in long distance.

America's difficulties in implementing fully competitive telecom markets provide clear lessons for Europe as it shifts its markets to a competitive model. Regulators must set out from the start clear and realistic guidelines, enabling companies to enter each other's markets quickly. Regulators must also keep the interests of customers first, and not be ensnared by the tactics of companies that simply want to preserve past advantages. This is what we look forward to in Belgium and Hungary, two countries where Ameritech is helping to transform telephone companies into more competitive enterprises.

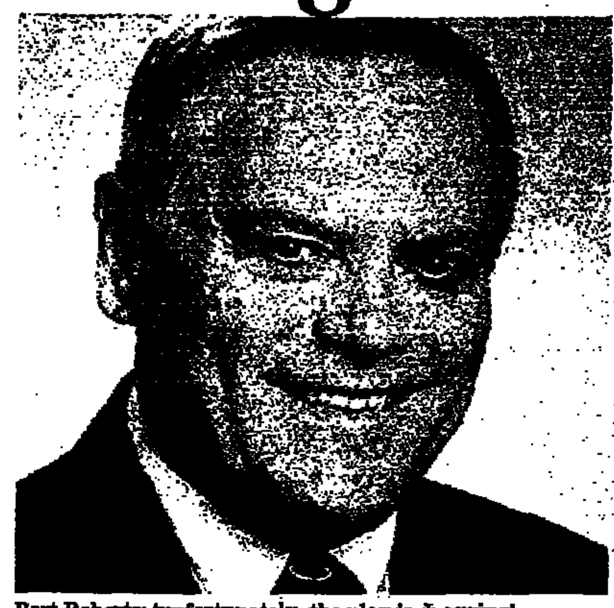
The Telecom Act challenges US regulators to start up competition, police it for fairness and trust that customers will make it work as it does in virtually every other business sector.

The act also challenges the industry to end its infighting, bickering and finger-pointing – in other words, to stop competing for rhetorical advantage and start competing for customers. Soon we will see who's up to the task.

Richard Notebaert is chairman and chief executive officer at Ameritech

A way through the fog

Local monopolies have resisted all efforts to allow access to their markets



Bert Roberts: 'unfortunately, the play is dragging'

One of the most exciting scenes of the information revolution is being played out as local telecom services move from monopoly to competition in the US. Following a worldwide trend toward competitive communications, the opening of the $100bn US local market promises to turbo-charge the information economy.

Unfortunately, the play is dragging. Monopolists, like absolute monarchs of any description, do not part with power easily. And the clearly stated purpose of Congress in the Telecommunications Act of 1996 – robust local service competition – has degenerated into what Reed Hundt, chairman of the Federal Communications Commission, calls the "pervasive fog" of litigation, obfuscation, delay and obstruction.

The clear intent of the act has been systematically opposed by those who fear competition in their areas – the six regional monopolies: Ameritech, Bell Atlantic, SBC, Bell South and US West and GTE.

This resistance to competition is nothing new. We fought for years to win the right to compete against the Bell system. That robust competition in the US long distance market, with 600 different competitors, has brought to consumers the tremendous benefits of true competition: a 70 per cent reduction in prices, better service and a wider range of products.

The 1996 Telecom Act was designed to bring exactly those same fruits of competition to the local market. But local companies are merging rather than competing, seeking to thwart competition instead of advancing it, shamelessly exploiting their monopolistic power to do so.

Because of their long-standing monopoly, the regional companies control the last mile of connection to homes and businesses. For that reason, the US Congress and President Bill Clinton were clear that they should allow new competitors interconnection to their systems. That's the only route to competition.

To that end, the act mandated that the local monopolies must open their markets to true competition before they are permitted to sell long distance to their captive customers. In other words, first things first. But, even with that incentive, the regional monopolies have systematically resisted all efforts toward vibrant competition.

The FCC issued comprehensive rules to open local markets. The local monopolies appealed to the courts – despite the fact that many of those same monopolies take advantage of market-opening policies in the UK that they resist in the US.

MCI and other new competitors were forced into dozens of arbitration proceedings to get interconnection agreements. But, again, the local monopolies appealed and delayed. In fact, more than a year after they were ordered to do so, the local monopolies have only executed about one-third of the interconnection arrangements that MCI had ordered.

The FCC also reformed the access charges levied by local monopolies on long distance companies to begin and end telephone calls in their territories. But the monopolies appealed to the courts in an attempt, once again, to forestall competition.

To be sure, local monopolies have learned the rhetoric of competition. But they resist the reality. Their rhetoric is belied by the facts. Ameritech, for example, likes to assert that it has welcomed competition since 1993, and that there is now a robust level of competition in its area. But Ameritech controls about 99 per cent of its market; the regional monopolies control similar amounts in their areas.

Local monopolies also claim they have already moved to comply with the requirements of the Telecom Act. Again, using Ameritech as an example, the relevant state commission and the US Department of Justice have both found that Ameritech has failed to open its local market as the act requires. The evidence is clear: public officials must ensure that open markets come first; that the conditions for true competition, including competitive pricing and effective ordering systems, are in place; that anti-competitive conduct by the incumbent monopolies is prohibited; and that the rules of competition are vigorously enforced. In sum, they must ensure consumers have the right to choose their local telephone provider.

MCI is eager to provide the benefits of competition to those consumers. By the end of this year MCI will have spent $2bn building our own local facilities. We've had to finance that infrastructure development out of our own cash flow, unlike the monopolies, which for decades have enjoyed cash-flow margins in excess of 40 per cent.

When we sought the right to compete against AT&T, we were a much smaller company pushing against a much larger door. Once we got through, more than 20m US consumers exercised their new freedom of choice in long distance and signed with MCI. Today, MCI is among the 50 largest US companies, with annual revenue of more than $18.5bn. The local US market we are targeting is a tremendous opportunity, larger than the long distance market, with much greater margins.

We've no doubt that when the local markets are opened we'll find demand for the fruits of real competition equal to that we found in long distance. Opening markets is never easy. But MCI has learned both in the US and internationally that companies moving first into markets get most in terms of market share and profits.

We are confident that real competition will come to local markets. Increasingly, if belatedly, regulators recognise the value of competition. The full promise of the Telecom Act will only be realised with the help of rigorous regulators, eager competitors such as MCI, and enlightened consumers who can see through the monopolists' rhetorical fog to their own best interests.

Bert Roberts is the chairman of MCI Communications

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

US efforts to reform UN reflect bipartisan and centrist position

From Mr Philip Christenson.

Sir, It ill serves readers to paint Congressional efforts to force UN reform as a scheme of arch-conservatives, rightwingers and other fringe groups, as your Washington correspondent Bruce Clark did ("US on world mission to win UN reform converts", August 11).

It does readers an equal disservice to label criticism of European aid to Africa as a "bugbear for the right" and imply that the US shift in emphasis in Africa from aid to trade and investment is limited to the "US right". UN reform legislation this year was approved by a 75-23 vote in the US Senate and thus reflects a bipartisan, centrist position.

Congressional efforts to reform the UN began in 1983 when senator Nancy Kassebaum, normally considered a "moderate Republican", successfully proposed withholding full funding until the UN reformed itself.

For 14 years, both Republican and Democratic majorities in Congress have withheld UN funds until reforms were adopted.

Equally significant, the Clinton administration blocked the reappointment of secretary general Boutros Boutros Ghali because of his failure on UN reform.

A bipartisan legislative/executive consensus to shift policy in Africa to trade and investment promotion also exists, led by congressman Jim McDermott, normally considered a very liberal Democrat. His bill, the African Growth and Opportunity Act, is co-sponsored by liberals and conservatives in both parties. It has been endorsed by Speaker Newt Gingrich and by President Clinton.

Philip Christenson
2705 Unicorn Lane NW
Washington,
D. C. 20015, US

Anglo-Saxon character hard to identify

From Mr John Dickie.

Sir, Understanding the genesis of Anglo-Saxon attitudes is a complex and inevitably subjective task which is not helped by inaccurate historical analysis ("The Wasp takes flight", 16/17 August). The chronology of Britain (or at least that part of it now known as England) goes roughly like this.

Tribes of indigenous Britons are conquered by Romans. The Britons are, to a greater or lesser extent, romanised, and follow their masters' conversion to Christianity. The Romans leave around 410 AD and Britain is then invaded by tribes from the continent – most famously the Angles and the Saxons. They are pagans, although some Britons conquered by them may have maintained their Christian worship.

Searching for an "indigenous Anglo-Saxon character" by turning back to before the Romans would, therefore, be difficult. The author's confidence in the "striking tolerance" of "English heathenism" is difficult to substantiate. Clearer is the lack of such tolerance from the Vikings, who play some role in the genetic heritage of these parts, as indeed do the Normans.

Anglo-Saxon attitudes – at least from 1066 on – are a somewhat more complex mix of characteristics than your article suggests. Attempts to root the redesign of BA's logo in the views of "Britain" at some uncertain point, when the term had no more than geographical meaning, inform us about neither our past nor our present.

John Dickie,
49 Burghley Road,
London NW5 1UH, UK

Let India celebrate, if only for a moment

From Mr Narayan Ramachandran.

Sir, Mark Nicholson ("India's 50-50 record", August 15), attempts a dispassionate assessment of India's path since independence. Alas, the operative word seems to be "dispassionate".

India is a vibrant, colourful, messy democracy that is 50 years old - a mere teenager among democratic nations. Need I remind Mr Nicholson that, in contrast, other democratic countries have had what could only be described as troubled adolescence.

The US, for one, engaged in a civil war nearly 75 years after proclamation of a republic, abolished slavery over 100 years after independence from the crown, and has yet to elect a woman as head of state.

In India, individual liberty and freedom of opinion are enjoyed by every man, woman and child; big brother doesn't watch over a citizen's every action; the army has stayed confined to the barracks; and for a substantial part of the population life is uncomplicated and happy.

If only for a moment, let India celebrate: For in this celebration she can energise herself for the tasks that still lie ahead. A moment of rest, a pat on the back and then onward. Step out of the way, Mr Nicholson.

Narayan Ramachandran,
principal,
Morgan Stanley Asset Management,
New York,
NY 10020, US

Cry wolf is what Greens do best

From Mr Roger Bate.

Sir, It was good to see that the FT has not lost its ability, in these politically correct times, to analyse an issue on its merits.

Your Leader "Protesters in deep water" (August 12) accurately portrayed the level of scientific uncertainty still surrounding the climate debate as well as the "risible" campaign that Greenpeace has been mounting against the continuing exploration for oil by Shell and BP.

I have watched and assessed Greenpeace's activities over the years and have become less and less convinced by it. For example, this present campaign began in the 1970s, based on its "limits to growth" arguments and its claims that we would soon run out of oil. However, energy prices continue to fall and the oil shortage and lower growth have still not arisen.

Ironically, the Greens insist that we now fulfil their early prophecies by abandoning oil exploration. Greenpeace demands that we must develop alternative, more expensive, and far less efficient, energy sources because burning fossil fuels induces global warming.

But is man-made warming likely to be dangerous? Anyone who is old enough to remember the "imminent ice age" scare of 25 years ago will know that crying wolf is what Greens do best.

Despite the fact that the world is getting safer and cleaner as wealth increases, Greenpeace may still find an issue worthy of its attention. However, like the little boy who cried wolf, it may have lost the interest of a responsible public irritated by its continued alarmist rants.

Roger Bate,
director,
Environment Unit,
Institute of Economic Affairs,
2 Lord North Street,
London,
SW1P 3LB

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday August 19 1997

Cyprus and the EU

The failure of talks on Cyprus last week underlined the intractability of the island's problems, despite the recent detente between Greece and Turkey. If there is any consolation, it is that the Cyprus problem remains intractable for a happy reason: neither side suffers acutely enough for the advantage of a settlement to outweigh the risks its leaders would take in making concessions.

The Greek Cypriots are still resentful at being excluded from two fifths of the island, in which many of them had their homes before 1974, but they are prosperous enough to live with it so long as they do not have to accept it as permanent. The Turkish Cypriots, living in an unrecognised state under economic embargo, are less prosperous but feel safer than when they were scattered throughout the island without the Turkish army to protect them.

The new element which might just change this balance of discomfort is the prospect of membership of the European Union, on which talks are due to open early next year. In theory this should put pressure on both sides, since neither can afford to be blamed for the continued division of the island.

Greek Cypriots know they will not gain admission to the EU if they are perceived as having blocked a settlement. The Turkish Cypriots have been told, at least implicitly, that membership can go ahead without them if they are the ones who appear unreasonable.

So far, however, neither side has responded to this pressure in the way the EU hoped. Glafcos Clerides, the Greek Cypriot president, clearly feels unable to make any substantive concession before next February's presidential election, in which hawkish parties are likely to arbitrate a run-off between him and a candidate backed by the island's cautious and still powerful communist party. Meanwhile his Turkish Cypriot counterpart Rauf Denktash, backed by the Turkish government, says he cannot negotiate under the "threat" of one-sided EU admission talks.

Mr Clerides should be tactically braver, and aim at having a peace process so far advanced by next February that moderate voters are unwilling to risk upsetting it. But the Turkish side – in Cyprus and on the mainland – needs to start thinking strategically. EU membership would offer Turkish Cypriots the chance to combine security with prosperity and freedom of movement. Together with a settlement giving them an important say in Cyprus government policy, it would also enable them to act as advocates for Turkey within the EU. Turks should see it as an opportunity, not a threat.

Menem's legacy

Argentina retains its capacity to surprise. Unlikely as it may seem, amid strikes and protest marches orchestrated by opposition unions, the country may be developing a stable two-party system, based on acceptance of President Carlos Menem's free market economic model.

The flamboyant Peronist leader is the architect of economic revival. Following hyperinflationary chaos in the 1980s, Argentina has achieved price stability and strong growth. Convertibility with the dollar has brought anti-inflation credibility, unlike in Mexico. This external discipline has been combined with a programme of of austerity, privatisation, deregulation, and trade and investment liberalisation. Growth this year is forecast at 7-8 per cent.

As economic order has been restored, foreign investment worth $22bn flooded in between 1990 and 1996. However, reform has also created an unpleasant side-effect: a rise in unemployment as previously featherbedded nationalised industries shed labour. So far, thanks in part to suffocating labour market restrictions, higher growth has not been enough to drive unemployment below 16 per cent.

The recent strikes were called in protest against Mr Menem's free market policies, and a new labour reform plan. However, the new Alliance for Work, Justice and Education – bringing together the centrist Radicals, Argentina's oldest political party, and the centre-left Frepaso, one of the newest – has given the unions only lukewarm support. Along with the more traditional Peronists, the alliance now largely accepts the benefits of economic reform. In campaigning ahead of October's mid-term elections, it supports convertibility and privatisation, together with policies to create jobs, improve education and spur institutional reform.

The alliance, which does not yet cover the whole country, could fall apart. But, a pact in the capital and in Buenos Aires province could be enough to deliver a majority in the lower house in October. This would leave Mr Menem with two years of uncomfortable cohabitation.

Moreover, the threat of a credible opposition in the 1999 presidential election, when Mr Menem is due to stand down, could mean that the initiative in the Peronist party passes to Eduardo Duhalde, governor of Buenos Aires and front-runner for the nomination. Whoever comes out on top, however, the signs are that decades of ineffective politicians and military meddling are at an end. If economic reform and political stability endure, Mr Menem will have bequeathed a remarkable legacy.

The countryside

Such is the affection of English men and women for the countryside that many want to live in it. Fearful of this prospect, the Council for the Protection of Rural England believes the government should keep the urban masses where they belong. The CPRE's latest blast – against official estimates of the need for building land – is consistent with this purpose. In their own terms, its criticisms may be right. But the fundamental point is that the planning process is absurd.

At present, the control of land use for housing is governed by a system of central planning, laid down in the heyday of Old Labour, back in 1947. It starts with a government forecast of the number of households, the present assumption being that the number will increase by 4.4m between 1991 and 2016. Housing requirements are then planned in a "cascade" fashion, through layers of local plans, with requirements for the release of greenfield sites derived as a residual.

Happy to play this game, the CPRE argues in its report, *More Welcome Homes*, that government methodology means that local authorities underestimate the likely availability of "windfall" sites. As a result, planners overestimate the need to build on England's green and pleasant countryside. Their failure is to allow adequately for the rate at which the use of developed land is likely to change. Past experience demonstrates that windfalls will arise in substantial quantities, with over half of all new housing coming from such sites.

Inevitably, the government denies the CPRE's charges. Yet this is only a technical dispute between two parties who share a belief in physical controls. The fundamental question is why government should be telling people where to live.

One answer could be that the countryside would otherwise disappear. It is worth noting, however, that in 1991 only 10.6 per cent of England's land was in urban use. Even the government thinks this should not be more than 11.9 per cent by 2016. The country is and will remain overwhelmingly rural.

A second answer is that there is a value to the countryside that housebuyers do not allow for in their decisions. This is certainly true. But it is still possible to use prices, rather than the blunt instrument of quantitative controls. Charges can be set for lost amenity value, with development permitted when developers can pay them.

The arrival of a new government supposedly converted to market mechanisms is an opportunity to reconsider town and country planning. The same objectives could be served more sensitively by market-based charges.

Whether the government is prepared for such a reform is one test of its radicalism.

From minor to major

Formerly monolithic state oil companies are at last challenging the western majors on their home turf, says Robert Corzine

The sleepy giants of the world's oil industry are stirring. Some of them, anyway. The giants are the state oil companies of Asia, the Middle East and Latin America.

For years most stayed at home, growing rich on their position as the landlords of the oil business. A few, such as those from Kuwait and Saudi Arabia, made occasional forays into their main export markets to buy refineries or filling stations. But when it came to building global businesses, searching for, producing and selling oil and oil products, western majors had the world to themselves.

Now, that may be changing. Companies such as Petronas of Malaysia and China's National Petroleum Corporation are using their political connections to challenge western oil majors at their own game. Both have bought companies as far afield as Kazakhstan and South Africa, as they move into that last and most lucrative bastion of the western oil majors: the international exploration and development business. Meanwhile, Venezuela's state-owned oil company has become the largest retailer of petroleum products in the US.

The state companies are hoping to benefit from their political advantages in emerging markets. They are willing to do deals in countries that are out-of-bounds to many of their western competitors. They have the backing of their governments and, in some cases, their national treasuries.

Success is far from assured. Earlier – albeit less ambitious – attempts to expand in the US and Europe came to little. And the companies still have considerable disadvantages to overcome, in particular a shortage of technical skills and of senior managers with international experience.

As Mr Mark Moody-Stuart, chairman of Shell Transport and Trading, the UK arm of the giant Anglo-Dutch group, says: "The competitive landscape has changed a lot because of the state oil companies." And if they continue to use their advantages to expand abroad, they could well provide the first big challenge that the western majors have seen for years.

Asia, the world's fastest-growing oil market, is home to the two most aggressive state oil companies: China's National Petroleum Company (CNPC) and Malaysia's Petronas.

This summer CNPC, which has a near monopoly of China's oil market, bought a 60 per cent stake in the Aktyubinsk oil field in western Kazakhstan for $325m in cash, plus a promise to invest a further $4bn over 20 years. Much of this will be spent on a pipeline to the east that will reduce Kazakhstan's dependence on Russia (much Kazakh oil goes to world markets through Russian pipelines).

Despite strong US diplomatic pressure on the Kazakh government, CNPC won out over a consortium led by Amoco, the US oil group, for the exclusive right to negotiate a contract to develop Kazakhstan's giant Uzen field. Recently CNPC outbid several western oil groups to secure a $358m deal to develop two Venezuelan oilfields. It also has a $1.3bn agreement with Iraq to develop the Al Ahdab field when UN sanctions are lifted.

The motivation for CNPC's aggressive expansion appears straightforward. Although it is the world's third-largest oil producer, China's rapid economic growth is outstripping CNPC's ability to find new reserves to replace older fields. Some forecasts suggest China, which until a few years ago was self-sufficient in oil, may need to import 4m barrels a day by 2015; that is equivalent to half of Saudi Arabia's total current output.

"China fears a growing vulnerability," says Mr Fergus MacLeod, oil analyst at NatWest Markets in Edinburgh. He believes China may view neighbouring, oil-rich Kazakhstan in the same way as the US looks on Saudi Arabia, as a "captive" source of future oil supplies.

In Malaysia, declining domestic oil production is also one reason behind the international expansion of Petronas. From his office in the 88-storey Petronas twin towers that dominate the Kuala Lumpur skyline, Mr Mohamad Hassan Marican, the president and chief executive officer, oversees an ambitious plan to turn the company into the first "Islamic major". By 2005, he says, Petronas will derive about 30 per cent of its revenues from overseas operations, compared with less than 10 per cent today.

Earlier moves by Middle Eastern producers to diversify were motivated largely by a desire to secure specific markets in the main industrialised countries. Even Kuwait, which diversified most ambitiously did so slowly and somewhat half heartedly. By contrast, Petronas wants to translate its political and religious connections into a broad-based international energy group, with much of its investment directed at Moslem and developing countries.

Earlier this year Petronas defied US sanctions on Iran by joining with Total of France to develop two offshore Iranian oilfields. It is also active in North Africa, Syria and Sudan and is keen to enter Burma, another country which is becoming a no-go area for US companies.

Companies such as Petronas and CNPC have several advantages over their western competitors. The most important of these is their willingness to invest in countries that are seen as politically embarrassing for their western counterparts. "In areas where western companies find it unattractive, many national companies simply say: 'whoa, here's an opportunity,'" says Art Smith, chairman of John S. Herold, a US oil consultancy.

Some analysts think Pertamina of Indonesia and PTT of Thailand will eventually follow CNPC and Petronas into the international arena, buying upstream assets. They too face declining domestic reserves and fast-growing economies.

But others wonder whether they have the political support, or the technical competence and the large amounts of cash that such a step requires. Pertamina could also be hampered by its membership of Opec. Members of the exporters' group may be reluctant to invest in production capacity in countries not subject to the group's restraints lest they are accused of undermining the Opec production ceiling. That may explain why some of the biggest state oil producers in the Gulf have made only tentative steps into the upstream business internationally.

It is true that the National Iranian Oil Company has recently joined international consortia developing giant fields in the Caspian Sea off neighbouring Azerbaijan. "But that is driven by the geopolitics of that region," says Julian Lee, an analyst at London's Centre for Global Energy Studies, and should not be interpreted as a sign of a general international expansion.

In the downstream sector, however, matters are different. Here, Gulf companies have argued that foreign investment in refineries and marketing outlets secure long-term markets for their crude oil. So in these areas, Opec members have been adding to the pressure on the oil majors.

The trend towards greater international downstream investment by Gulf producers is expected to accelerate. Arab Petroleum Investments Corporation, the finance group owned by 10 Arab oil producers, this month announced that for the first time it will expand beyond the Middle East.

The downstream business has also been the preferred method of expansion for Petroleos de Venezuela (PDVSA). Over the past few years PDVSA has focused on the US, which consumes 70 per cent of Venezuela's output.

The expansion of large producers into the international downstream industry has coincided with a general retreat from downstream operations by western oil majors, which complain about low margins and fierce competition in this part of the oil business. In contrast, the state companies seem willing to accept low rates of return in order to secure markets for their crude.

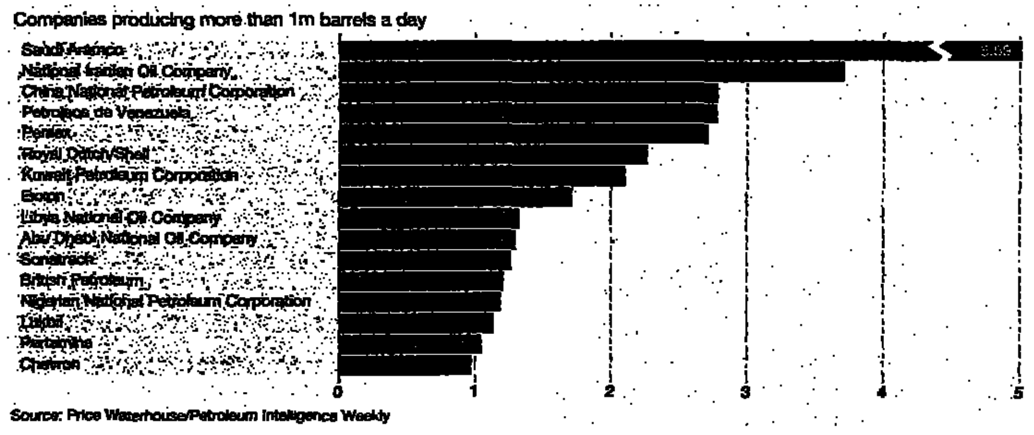
But it is the entry of the state or newly privatising companies into the international upstream sector that poses the greatest threat to the western majors, which are enjoying their highest returns from international oil development projects since 1984. BP, for instance, recently reported a 19 per cent return on capital employed.

The battle is likely to be tough. There does not appear to be room for all the newcomers and the established companies. Mr Franco Bernabé, chief executive of ENI, the partly privatised Italian oil group, believes that "the explosion of the number of competitors" will prove unsustainable. It is possible that, to avoid what they see as damaging competition, the two sides will seek alliances, linking the advantages of western majors – such as technical and marketing skills – with those of the newcomers, especially their reserves.

But that is unlikely in the short term. "The problem is that the newcomers are all following the same strategy," says Mr Bernabé. "Everyone wants to be an international oil major."

Worldwide oil production . . . the top 16

Companies producing more than 1m barrels a day



Source: Price Waterhouse/Petroleum Intelligence Weekly

· OBSERVER ·

Shoe of force

■ Ernst Thomke, the Swiss banks' favourite troubleshooter, is in trouble. The man who helped salvage the Swiss watch industry, restructure its electric utilities and rescue its only aircraft producer is in danger of being outmaneuvered by elderly heiress Hortense Anda-Bührle.

Thomke was hired nearly two years ago by sprawling Swiss conglomerate Oerlikon-Bührle to turn round its Bally luxury shoes business. It has taken longer than expected as Thomke has also been busy rescuing textile machinery company Saurer, but now Bally has his undivided attention.

Thomke's prescription is to raise money by a partial flotation, but that has gone down like a lead balloon with 70-year-old Anda-Bührle, daughter of the founder of Oerlikon-Bührle, who controls 31 per cent of the company and is believed to be grooming her son Gratian, a McKinsey consultant, to take over.

Thomke has waged a media campaign and threatened to quit if he doesn't get his way. But yesterday's showdown with Anda-Bührle and the Bally board ended with Thomke still in post. Maybe Anda-Bührle is gambling that Thomke, now 57, doesn't want to be remembered as the man who failed to rescue Bally.

Crime count

■ It's not just Japanese companies that are reorganising: Tokyo police say the country's *yakuza* criminal gangs have started a spot of quasi-corporate "restructuring". Not that the line between legal and illegal business is always easy to see in Japan – a *yakuza*'s divisions may be gambling and prostitution rather than finance and marketing, but their executives operate openly out of similar plush offices.

The Yamaguchigumi *yakuza* syndicate, which has 18,600 "employees" around Kobe, is leading the drive for slicker crime, say police. It overhauled its internal structure after some district leaders died and employee numbers have fallen by 100: it's believed that natural wastage was involved, rather than anything rougher.

Police say it's being done so that internal feuds "will not provide the police with an excuse for arrests", which can disrupt the serious business of crime. It seems to have worked: no Yamaguchigumi feuds have been reported this year. Observer hopes that this apparent success for Japanese efficiency won't encourage the *yakuza* to follow every management fad: de-layering could be very unpleasant.

Original

■ Another one bites the dust at Philips. Tom Butler, the British chief executive at the Dutch electronics group's Origin computer services offshoot, is to "pursue interests outside the company". Still, his nine months in the top job was four more than Geoffrey Carroll, his American predecessor.

The two were recruited together from EDS of the US – Carroll as boss, Butler as finance chief – after Henk Cohen, who oversaw the creation of the unit, moved to an unnamed special project before quitting to join a headhunting agency.

There's no immediate successor to Butler, who's a chartered engineer. The unit's 11,000 staff in more than two dozen countries will be tended meanwhile by Jan Hommen, who joined Philips in April as chief financial officer and is on record as saying he would "like to see Origin become less dependent on Philips".

Hommen, a Dutchman who spent 19 years in Pittsburgh with Alcoa, has been supervising an overhaul of Philips' own IT setup, and has made clear that he is no sucker for the latest software wizardry. "At times you need to decide to skip a generation – you can't always do what the computer companies tell you to."

Now that's an attitude which finance directors elsewhere will welcome.

Millennial vision

■ Bill Clinton isn't letting the millennium go to his head, though maybe it's hard to get excited about a year that marks the end of your presidency. Not for him the hype and flashy projects other world leaders are embracing.

Just before dashing off to his Martha's Vineyard holiday, Clinton decided that something should be done about the year 2000 and unveiled the "White House Millennium project". Americans will be treated to a series of presidential lectures, exhibitions on the nation's cultural and scientific heritage and a couple of free concerts. There was a statement that year 2000 computer software problems would be taken seriously, but no specific pledge.

It's not the sort of stuff you might expect from a president seeking to secure his place in history, but it does have one redeeming feature for the boy from Little Rock. The whole thing will be orchestrated by the First Lady, supplying Hillary with reasonably uncontentious business for a while.

The Financial Times

100 years ago

Useful Map Of Yukon

We have received from the publishers, The Mining and Geographical Institute, a copy of a very useful map of the Yukon District, showing the different routes from the coast, plainly marked in red, giving distances &c. It has been compiled, we learn, from actual drawings made on the spot, recently received from the Klondike District. It may be had from stationers for 6d. We have also received from Mr Edward Stanford a map which besides showing the position of the Yukon fields, takes in a much wider area, giving the whole of Alaska with the complete course of the Yukon river.

50 years ago

French Premier

M. Ramadier, the French Prime Minister, despite opposition from the Communists and the trade unions under their control, failed to-day, at the Socialist Party Congress at Lyons, to prevail against its Left Wing adherents. Though the Congress was unanimous in voting confidence in him and unanimously refused to consider a re-entry of the Communists into the Government, it finally adopted a programme which by no means reflects the moderate views with which the Premier is associated.

FINANCIAL TIMES
Tuesday August 19 1997

Israel releases $12m owed to Palestinians

By Judy Dempsey in Jerusalem

Israel yesterday started to release payments owed to the Palestinian Authority which were suspended this month in retaliation for last month's suicide bomb attack in Jerusalem.

The decision to release Shk42m ($12m), or about 30 per cent of the financial transfers owed last month, was made after Benjamin Netanyahu, Israeli prime minister, consulted his foreign and defence ministers.

The prime minister's office said the decision was based on "partial co-operation" by the Palestinian Authority in investigating the suicide bomb attack, and its swift arrest and sentencing of three Palestinians for the murder of an Israeli taxi driver last week.

Washington welcomed the partial thaw in relations between the PA and Israeli government. The US and European Union have criticised the withholding of financial transfers, which include customs and excise duties, VAT returns, income tax and health insurance fees paid by Palestinians working in Israel and the settlements.

Diplomats said the measures were counter-productive and could lead to further tension in the West Bank and Gaza, where unemployment is as high as 35 per cent. The financial transfers are used to pay the public sector.

According to the International Monetary Fund and Palestinian finance ministry, the revenue clearance system, or financial transfers, agreed in April 1994 between Israel and the Palestinian Authority, forms a significant and stable source of revenue for the PA.

"The transfers make up about 60 per cent of our total annual revenue," said Atef Alawneh, PA deputy finance minister, yesterday.

The ministry expects the transfers to amount to $513m this year, compared with $419.6m in 1996, although it will be difficult to meet this target as long as Israel maintains the closures reimposed on the West Bank and Gaza after the bombing attack. Maher al-Masri, Palestinian trade minister, said the closures were costing the PA $9m a day in lost revenue.

The PA's revenues for this year will total $814m and expenditure will total $866m, leaving a deficit of $52m.

The PA wants the international donors to finance the deficit but both the IMF and the World Bank are insisting that the PA consolidate its accounts. The IMF estimates that up to 25 per cent of domestic revenues are being diverted to accounts outside the ministry of finance.

Relations thaw as Yeltsin meets Chechen president

By Chrystia Freeland in Moscow

Relations between Moscow and the Chechen republic eased yesterday after a cordial Kremlin meeting between Boris Yeltsin, Russian president, and Aslan Maskhadov, Chechnya's leader.

But the two sides are still sharply divided over the question of Chechen independence, an issue which prompted Russia's failed 1994-96 war against Chechen separatists.

Mr Maskhadov, a former Soviet officer elected Chechen president in January, seemed pleased by the results of his discussions with Mr Yeltsin. He praised the president and expressed confidence that the issue of independence could be resolved.

"Today, I saw in the president of the Russian Federation a man, perhaps the only man, who can decide things and make peace after 400 years of war," Mr Maskhadov said. "Decisiveness is necessary, one must take responsibility, and I think Boris Nikolayevich has such qualities." The Chechen leader's words suggested that recent threats from Grozny to cut all contacts with Moscow had been dropped.

Always tense, the relationship between Chechnya and Russia had worsened over the past few weeks, the casualty of Moscow's failure to compensate the battered region for war damages and a spate of hostage-takings in Chechnya. The disputes risked jeopardising plans to route an international oil pipeline through the contested republic.

Yesterday's meeting struck a friendlier note, although the two leaders still appeared at odds over sovereignty. "We are pressing today for the Chechen republic of Ichkeria [the Chechen name for the region] to be recognised as an independent, sovereign state," said Mr Maskhadov. "Only time will tell what its form will be."

By contrast, Mr Yeltsin said he was ready to negotiate a long-term political deal with Chechnya, but made clear he would stop short of granting full, formal independence.

"We will solve the problems as we did with Shamiev," the Russian leader said, referring to the extensive autonomy granted to the republic of Tatarstan and its president, Mintimer Shamiev.

The president's words were echoed by Ivan Rybkin, chief Russian negotiator in Chechnya, who said no pact with the region would be allowed to infringe upon Russia's territorial integrity.

"There may be many types of status for members of the Russian Federation," Mr Rybkin said. "There may be different sorts of enclaves and so on. In any case, I am deeply confident that Russia's territorial integrity will not be harmed."

BT-MCI

Continued from Page 1

on its difficulties in "executing its local strategy". It explained that MCI was "presently exploring a series of steps to improve financial performance and to continue to respond to the increasingly competitive environment in the core business", adding: "These decisions have not been finalised."

MCI declined to comment on the issue of renegotiation but said it had met its disclosure requirements and review teams were still meeting this week. BT refused to comment.

German unemployment

Continued from Page 1

cent higher than a year before. Official figures for the second quarter will be published on September 10.

Mr Rexrodt said manufacturers' incoming orders were 12 per cent higher in the second quarter than the same period a year before, with foreign orders 43 per cent higher.

But the government's growth forecast for 1997 was unchanged at almost 2.5 per cent. A rate of between 2.5 and 3 per cent is expected in 1998.

Mr Rexrodt saw "no dangers" on inflation in spite of fears that the Bundesbank might this week push interest rates higher.

The economics minister said Germany had failed to cut unemployment because economic growth since the 1993 recession had averaged only a little over 2 per cent a year. Meanwhile, wage growth had exceeded productivity growth in the early 1990s, intensifying rationalisation by German companies. In addition, prospects for recovery in eastern Germany had been "generally overestimated".

Caricom hits at US move to penalise Cuba links

By Canute James in Kingston and Nancy Dunne in Washington

A new trade row is brewing over attempts by US congressmen to force other countries to reject closer ties with Cuba.

Members of the Caribbean Community (Caricom) have rejected moves by US legislators to penalise them for attempting to foster trade links with the government of Fidel Castro, Cuba's president.

Caricom has persistently criticised the 35-year-old US economic embargo on Cuba, and the more recent Helms-Burton Act, which is intended to punish businessmen and companies involved in US property confiscated by the Cuban government.

The 15-nation Caricom last month decided to consider a Cuban request for a free trade treaty, similar to that which the community is negotiating with Colombia, Venezuela and the Dominican Republic.

Ileana Ros-Lehtinen, US congresswoman and chairman of the House subcommittee on international economic policy and trade, has introduced legislation which, she says, "ensures that US tax dollars do not indirectly fill Fidel Castro's coffers".

Under the legislation, countries that sign free trade agreements with Cuba or permit its membership in their trade pacts would be denied foreign aid – other than humanitarian assistance – and sought-after tariff reductions equal to those gained by Mexico in the North American Free Trade Agreement.

The legislation did not constitute trade sanctions, Ms Ros-Lehtinen said. Nor did it affect current trade between the US and Caribbean countries or prevent them trading with Cuba.

Caricom ambassadors said in a letter to Ms Ros-Lehtinen: "[Our] relationship with Cuba is based on our firm belief in the principle of non-interference in the internal affairs of sovereign states as well as the right of states to self-determination. Further, this relationship takes into account the reality that Cuba is a Caribbean nation and part of the western hemisphere."

Several prime ministers from the region, including Percival Patterson of Jamaica, who is the chairman of Caricom, have visited Cuba recently. Trade and economic co-operation agreements have been signed on each visit. However, Caricom officials say Cuba was not being considered for membership.

The Cuban foreign ministry has described the US lawmakers' move as "political terrorism".

THE LEX COLUMN

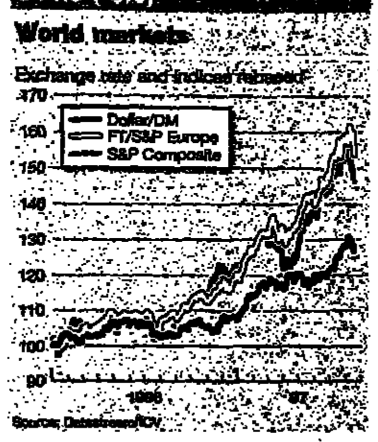
Fragile calm

World equity markets yesterday confounded the Cassandras. Losses were modest – a far cry from the meltdown many had predicted following Friday's heavy falls. But the outlook remains fragile. The economic fundamentals may remain essentially supportive – Goldilocks growth in the US, easy monetary policy in Europe – but the seeds of uncertainty have been sown. And just as momentum investing drove the market up, so it could work in reverse. The Dow Jones industrial average is now more than 7 per cent below its 8,259 peak. If it falls 10 per cent – the accepted definition of a correction – it is a fair bet this would precipitate further heavy selling.

While short rates remain on hold, it is difficult to see the bottom falling out of Wall Street. But the combination of concern about slowing corporate earnings, rising bond yields and dollar jitters makes further advances unlikely. And recent net outflows from US equity mutual funds simply confirm the readiness of investors to take profits when valuations look stretched and sentiment is uncertain.

Continental European markets will take their lead from Wall Street. But they have an additional fear – German monetary policy. Their rally has been fuelled by the 35 per cent fall in the D-Mark against the dollar. But expectations of higher German rates threaten to reverse the trend. Much will turn on whether the Bundesbank is prepared to risk jeopardising European economic and monetary union – the possible price of a move to tighten policy.

FTSE Eurotop 300 index
944.5 (-6.6)



Source: Datastream/ICV

Argos

Argos, the UK catalogue retailer, is having a tough time persuading investors to take a steady view of its prospects. Last year they turned a deaf ear when the management warned against frothy expectations. The result was a spike in the share price, followed by a dramatic fall to earth when the company issued a profits warning in January. Now, unsurprisingly, the company is having trouble re-establishing its premium rating – the share, some 20 per cent off its 1996 peak, has underperformed even the dismal retail sector by 20 per cent over the past year.

Judging by yesterday's interim results, no early improvement is likely. True, the past eight weeks have seen 8 per cent like-for-like sales growth compared with 1996. But higher interest rates and the tailing off of windfall spending make this unsustainable. And while the company has gained market share in most product ranges, this is no guarantee of exceptional performance. Indeed, with costs rising at some 4 per cent a year and gross margins set to fall by 0.5 per cent in the second half, it has to generate nearly 5 per cent like-for-like sales growth just to stand still.

With initiatives such as Argos Direct, new stores in Holland and the premier points scheme, the company is working hard to keep sales growing faster than the market. But their sustainability is questionable, and the underlying trend is less convincing. Taken with the group's higher risk profile the share, on a market rating of around 17 times 1997 earnings, looks fairly valued.

UK food retailers

Safeway, the supermarket chain, will be delighted by the nonchalance with which investors greeted its latest price promotion. It has been in the tricky position of being regarded as charging higher prices than the UK's other big three supermarket groups. But it has been loath to do anything to spur competitive reactions. Its price pledge, however, comes at a time when the industry is anxiously playing up the possibility of a ceasefire on competition. So whereas Tesco's similar pricing initiative last September sparked a sell-off in supermarket shares, Safeway's move was greeted with the investment equivalent of shrugged shoulders.

UK supermarkets have been going through one of the most harmonious periods of this decade. There have been no price wars and J. Sainsbury has rebuilt sufficient momentum to lose its label of loose cannon. But the reason for the lull is simple. Given the dramatic drop in inflation, supermarkets had lost volume growth momentum and were under much more pressure not to sacrifice their margins.

However, inflation is creeping back, and the likes of Tesco will be anxious to protect their customers from Safeway. Besides, with £2.5bn ($4bn) of annual capital expenditure from the big four this year, and not a lot of market growth, something has to give. The smaller retailers like Kwik Save and the Co-op may end up giving the most. But Safeway has provided a timely reminder that there is no cosy oligopoly yet in sight.

Energis

Should shareholders in the UK's National Grid be jubilant that a minority stake in Energis, its telecommunications network, may be floated? It is not as if the Grid would be relinquishing control to someone better qualified. Nor does it need the cash. So the only purpose would be presentational – focusing investors on Energis's attractions and, with luck, dragging Grid shares up too.

This is not to be sniffed at. But it is a sign of management failure that the option is even on the agenda. The fact is that Energis would be worth most as part of a bigger telecoms combine. It could then draw on a larger group's technical and marketing expertise. Big costs like customer support and product innovation could be pooled. In short, why float a minority stake when a trade buyer should pay more?

Let us dismiss, charitably, the possibility that the Grid hankers to retain control. Maybe the right buyer just cannot be found. But, if so, a full demerger would be a better second-best. Valuations for Energis are wildly divergent – figures from £500m ($815m) to £1.2bn are bandied about. Both a flotation and a demerger would doubtless deliver something in between. But that is a lousy outcome if you are an Energis bull. Hence the beauty of a demerger: unlike a flotation, it would let Grid shareholders choose. Bulls could keep their shares and enjoy the benefit if Energis sparkled – or got taken over.

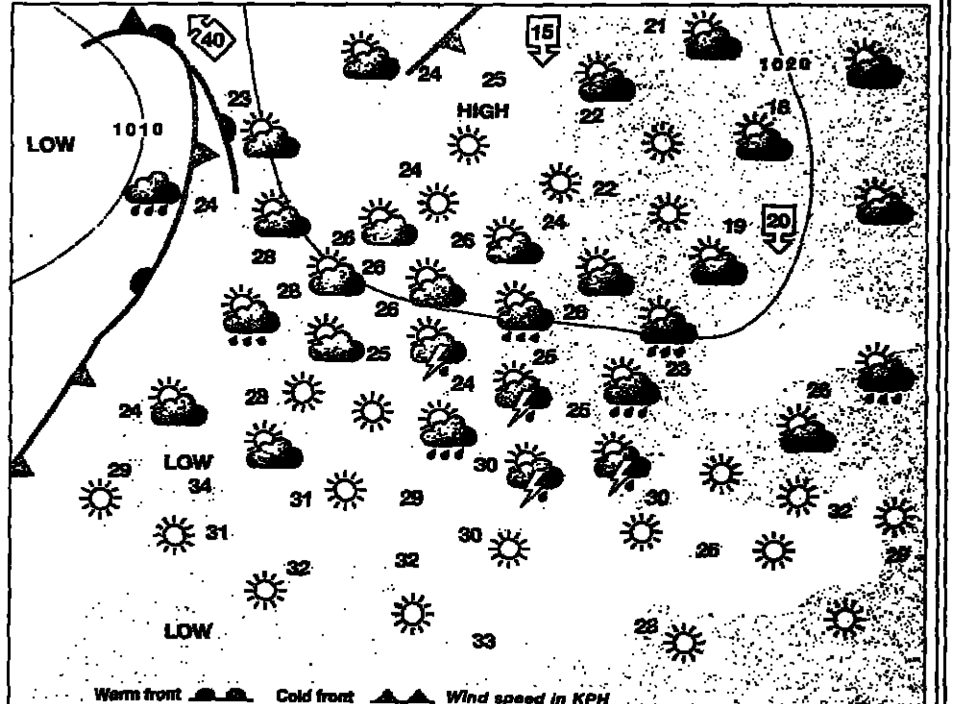
FT WEATHER GUIDE

Europe today

Northern Scandinavia will have sun and showers but southern areas should be fine with lengthy sunny spells. Eastern Europe will remain cool but generally dry with sunny periods. The Low Countries, Germany and France should be warm and mainly sunny although isolated afternoon showers could spring up over north-western France and in the Alps where they will be more frequent and sometimes thundery. The Mediterranean will continue fine, hot and sunny in most places but Italy and the Balkans will have thundery showers.

Five-day forecast

Scattered thundery showers will gradually clear from the Alps, Italy and the Balkans and move towards Greece and Turkey. Western Scandinavia will become cooler and cloudier with a mix of sun and showers. The rest of Europe and the Mediterranean will continue fine and mainly sunny.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Fair 31	Caracas	Thunder 31	Faro	Sun 29	Madrid	Sun 34	Rangoon	Thunder 28
	Celcius	Belfast	Cloudy 23	Cardiff	Cloudy 25	Frankfurt	Fair 28	Majorca	Sun 31	Reykjavik	Cloudy 15
Abu Dhabi	Sun 40	Belgrade	Fair 28	Casablanca	Sun 27	Geneva	Fair 25	Malta	Sun 30	Rio	Fair 30
Accra	Fair 27	Berlin	Fair 26	Chicago	Fair 22	Gibraltar	Sun 27	Manchester	Fair 25	Rome	Fair 30
Algiers	Sun 32	Bermuda	Shower 30	Cologne	Sun 28	Glasgow	Fair 23	Manila	Shower 34	S. Frsco	Sun 24
Amsterdam	Sun 26	Bogota	Thunder 18	Dakar	Sun 31	Hamburg	Fair 26	Melbourne	Shower 14	Seoul	Shower 31
Athens	Fair 30	Bombay	Thunder 32	Dallas	Fair 38	Helsinki	Shower 23	Mexico City	Fair 29	Singapore	Fair 32
Atlanta	Thunder 35	Brussels	Sun 26	Delhi	Fair 35	Hong Kong	Shower 31	Miami	Thunder 34	Stockholm	Fair 25
B. Aires	Fair 17	Budapest	Fair 26	Dubai	Sun 41	Honolulu	Fair 32	Milan	Fair 25	Strasbourg	Fair 27
B.Ham	Fair 27	C.Hagen	Fair 24	Dublin	Fair 23	Istanbul	Fair 25	Montreal	Fair 22	Sydney	Shower 18
Bangkok	Thunder 34	Cairo	Sun 31	Dubrovnik	Cloudy 26	Jakarta	Fair 32	Moscow	Cloudy 18	Tangier	Sun 30
Barcelona	Sun 27	Cape Town	Shower 15	Edinburgh	Fair 23	Jersey	Fair 21	Munich	Fair 25	Tel Aviv	Sun 29
						Karachi	Fair 36	Nairobi	Fair 27	Tokyo	Fair 27
						Kuwait	Sun 45	Naples	Fair 28	Toronto	Sun 22
						L. Angeles	Fair 24	Nassau	Shower 35	Vancouver	Fair 24
						Las Palmas	Sun 27	New York	Fair 29	Venice	Fair 24
						Lima	Cloudy 23	Nice	Fair 28	Vienna	Cloudy 22
						Lisbon	Sun 29	Nicosia	Sun 32	Warsaw	Fair 24
						London	Fair 28	Oslo	Fair 24	Washington	Fair 33
						Lux.Bourg	Fair 26	Paris	Fair 28	Wellington	Shower 12
						Lyon	Fair 30	Perth	Fair 17	Winnipeg	Shower 23
						Madeira	Sun 28	Prague	Shower 22	Zurich	Fair 23

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 19 1997
Week 34

IN BRIEF

Fresenius health group profits up

Acquisitions helped Fresenius, the rapidly expanding German health products company, to a surge in net profits, masking problems at its new medical dialysis subsidiary. Page 15

Foreign demand boosts Volkswagen
Buoyant foreign demand, especially in Europe, lifted sales at the Volkswagen Group – which includes the VW, Audi, Skoda and Seat brands – by 12 per cent to DM56.6bn ($30.70bn). Page 19

Southern happy at UK presence
Southern Company, the Atlanta-based energy concern, has no regrets about buying Britain's *South Western Electricity (SWEB), but will keep* its presence in the UK under review, said A.W. Dahlberg, the US group's president. Page 16

DLJ in talks to buy London Global
Donaldson Lufkin & Jenrette, the specialist US investment bank that has been expanding its European activities, is in talks to acquire London Global Securities, the securities lending company, for about £100m ($163m). Page 17

Sprint to sponsor the Stones
Sprint, the US telecommunications company, has become the latest recruit to the fast-growing business of rock sponsorship by backing the Rolling Stones' forthcoming *Bridges to Babylon* world tour. The group's last tour was sponsored by Volkswagen. Page 16

Napocor warns as debt costs increase
National Power Corporation (Napocor), the Philippines' largest state-owned utility, warned of a 40 per cent drop in net income to 3.35bn pesos ($112.4m). The group, which is awaiting privatisation, *said profits would fall from last year's* 5.54bn pesos because of a 30 per cent rise in the cost of servicing its debt. Page 14

Banks inspect Kia books
The main creditor banks for Kia, the troubled South Korean carmaker, have begun an inspection of its books to determine whether it should receive Won180bn ($20.1m) in rescue loans following its attempts to restructure. Page 14

Computer giants aim at rivals' markets
Sun Microsystems and Compaq Computer are taking aim at each other's core markets with computer products launched this week. Page 16

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
SAP	425.50	+	7
Falls			
BMW	1295	−	30
Hertiz	147	−	4.20
Karstadt	667.50	−	11
Linde	1300	−	27
Viag	755	−	14
NEW YORK ($)			
Rises			
ABN Amro	22⅞	+	1⅜
Bony Pet	17½	+	1⅛
Monterey RSCS	20¼	+	5⅞
Falls			
Allied Grp	45⅛	−	4⅛
Gillette	81⅞	−	3⅞
Hewlett-Pkd	62¼	−	3⅞
LONDON (Pence)			
Rises			
Alliance Res	30	+	4
Dawn Til Dsk	255	+	40
Petna	118½	+	12½
Wedderburn	21½	+	3½
Falls			
Logica	797½	−	30
Polon	354½	−	12
TORONTO (C$)			
Rises			
Alphanet Tel	13.35	+	1.65
Pacalta Res	21.50	+	2.30
Seventh Engy	1.45	+	0.62
Falls			
Major Drlg	22.00	−	1.75
Mackenzie Fn	27.50	−	2.65
Trimark Fn	62.00	−	3.40
PARIS (FFr)			
Rises			
Carrefour	3929	+	31
Falls			
Alcatel	808	−	21
Chargeurs	328	−	13
Danone	910	−	18
Geophysique	845	−	55
Technip	703	−	21
TOKYO (Yen)			
Rises			
Chiba Bank	654	+	24
Gakken	600	+	47
Seibu Rlway	5500	+	190
Falls			
Arabian Oil	3300	−	110
Hitachi Credit	2360	−	110
Omron	2620	−	110
BANGKOK (Baht)			
Rises			
Pan Asia Foot	6.90	+	0.60
Sanmaggi Ins	45.25	+	4.00
Suewood Inds	6.60	+	0.60
Falls			
Mutual Fund	99.00	−	11.00
Thai Setakij	36.00	−	4.00
United Comm	108.00	−	12.00

New York & Toronto prices at 12.30. Hong Kong closed.

Morgan Stanley retained to prepare selling options for UK's Angel Trains

Rail leasing group may be sold

By Charis Gresser in London

Morgan Stanley, the US investment bank, has been retained to prepare Angel Trains, the UK rail leasing company, for sale.

The bank has been working on various options for several months, including a possible flotation or a trade sale.

Analysts reckon a flotation could value the business at some £1bn ($1.6bn). The government sold the business two years ago for £672.5m to a management team that was backed by Nomura, the Japanese securities house.

Morgan Stanley was selected to handle the sale from among six investment banks. The choice was partly because Angel may float in the US, where leasing companies typically enjoy better stock market ratings.

The bank is to present its findings to the company and Nomura within the next month. A flotation would have to wait until next year, by which time Angel would have three years' worth of reported figures. This is a requirement of companies wishing to list in London.

But a flotation could be knocked off course by a severe market correction or the threat of a steep rise in interest rates, which is damaging to the leasing sector.

Three UK banks are understood to have expressed an interest in buying Angel.

Analysts speculated that these could include Barclays, National Westminster and Lloyds TSB.

A Nomura spokesman said yesterday: "The future of Angel is a question for the management of Angel."

In 1995, the business made a pre-tax profit of £107m on turnover of £290m.

Forward Trust, the leasing arm of Midland Bank and part of HSBC Holdings, acquired the Eversholt train leasing company this year for £788m. The deal netted £57m profit for management and employees.

Another sale of a rail leasing business, Porterbrook, to Stagecoach for £825m, caused a political storm. The deal was struck seven months after the business had been privatised for £527m. Its managing director, Sandy Anderson, made some £30m from selling the business on to Stagecoach.

Last month, Stagecoach's annual figures showed Porterbrook was, in absolute numbers, its most profitable division, with operating profits of £79.6m on turnover of £180.1m.

Analysts attribute the jump in the values of the rail leasing companies to a more favourable political environment. The three were sold off at the low point of rail privatisation, when the City feared a Labour government could re-nationalise the industry.

One transport analyst said yesterday there was still an element of regulatory risk, as John Prescott, the deputy prime minister, could move to impose price regulation on the leasing companies.

Hedge against price swings seen as aid to competition goals

Sydney to offer futures contracts on power prices

By Elizabeth Robinson in Sydney and Edward Luce in London

The Sydney Futures Exchange is to launch two electricity futures contracts based on the markets in New South Wales and Victoria which were deregulated in April.

The contracts, to be launched on September 29, will be the exchange's first Australian energy contracts.

Australia is deregulating its electricity industry along the eastern seaboard to foster competition and allow users to choose their supplier.

The SFE is the latest in a number of derivatives exchanges to offer both futures and options on electricity prices. The New Zealand Futures and Options Exchange, which is owned by the SFE, launched an electricity contract in November, after deregulation of the industry.

The New York Mercantile Exchange (Nymex) also offers electricity futures and options, as does the SOM, the Stockholm-based exchange for Scandinavia.

Futures contracts are also traded over the counter. Analysts expect the market to grow with the deregulation of power and electricity industries worldwide. In this more competitive environment, utilities can no longer automatically pass on price increases to customers, and need to hedge against sharp swings in prices. Generators, brokers and big commercial buyers of electricity could also benefit from the market.

According to Mr Les Hosking, chief executive of the SFE, the launch of the electricity contracts will help achieve the competition goals of the national electricity market as they reduce risk of exposure to sharp movements in the spot price.

He said he expected the contracts to be used by generators, distributors and industrial users. All SFE members will be entitled to trade the futures and "a lot of broking members of the exchange have signed up a number of customers already", he said.

With increasing deregulation of the industry, he said, the SFE theoretically could have one contract for each state connected to the national grid. "Over time it is envisaged that there will be one single electricity price pool."

The SFE already has an electronic link with the Nymex but there is no dealing in the New York contracts at the SFE. Although US electricity contracts are available on Nymex, Mr Hosking said, "There is no valid reason why Australian electricity users need US contracts."

The SFE would use its experience in energy contracts to apply them to natural gas and coal futures when those industries are deregulated. The Australian natural gas market may be deregulated towards the end of next year.


All SFE members will be entitled to trade the electricity futures

"Our experience in electricity contracts will help us to develop a natural gas futures market," said Mr Hosking.

The electricity contract will be traded on Sycom, the SFE's screen-based market. Each contract will equal 500 megawatt hours and will be quoted for each month up to 12 months ahead.

Under deregulation in Australia, power generated in New South Wales and Victoria now flows across state borders. Queensland is setting up a facility to interconnect with power from NSW.

Western Australia is being excluded from plans for a national pool because of its distance from other markets.

Metro bid placed on hold as Makro eyes other offers

By Graham Bowley in Düsseldorf

Metro, Germany's biggest retailer, yesterday cast doubt on its takeover of Makro, the Dutch-owned cash-and-carry group, after it emerged that its target was considering other offers.

Mr Erwin Conradi, chief executive of Swiss parent Metro Holding, said talks between Metro and SHV Holdings, Makro's majority shareholder, would not be concluded before late October.

"SHV has made it known that it is checking other offers. That is something one has to take seriously," he said.

But he stressed he was "not pessimistic" about the proposed deal, announced last month. The two groups already have close links through Metro Holding's own shareholdings in the Makro chain.

The deal could be Metro's biggest shake-up since it was formed last year and is crucial to the retailer's international expansion plans.

Metro was formed through the merger of the cash-and-carry, department store and supermarket interests of the Metro, Kaufhof and Asko groups.

Yesterday's development came as Metro examined plans to give workers a greater stake in the company by introducing employee share ownership.

The move, which would make Metro the latest of a small group of German companies with such schemes, is an attempt to motivate workers as the retailer embarks on a period of international growth.

Mr Conradi said Metro was investing in expansion abroad, especially in Poland, Turkey and China. However, he hinted that Metro would sell parts of its businesses if they failed to meet expectations. The company, which has about 14 different business areas, sold Unger, its loss-making furniture concern, last month.

Mr Conradi reported that the integration of the three groups was making good progress, but warned that the promised DM400m ($217.3m) of synergies would not be felt until 1999.

Unveiling its 1996 results, Metro Holding reported an increase in sales and profits in what it said were difficult trading conditions because of weak consumer demand in Europe. Net profit rose to DM992m in 1996 from DM853.4m in 1995. Sales increased to DM76.4bn from DM75.1bn in 1995.

The takeover, which analysts have valued at about DM4bn, involves Metro's purchase of about 86 Makro business outlets in the UK, the Netherlands, Belgium, Spain, Portugal, Greece, Poland, the Czech Republic and Morocco. Metro Holding already owns up to a 40 per cent stake in the businesses. SHV owns the remainder.

The deal would also involve buying businesses in Denmark, Austria, Italy, France, Hungary and Turkey, where Metro already has at least a 60 per cent stake and management control.

Hewlett-Packard earnings disappoint despite growth

By Louise Kehoe in San Francisco

Hewlett-Packard disappointed Wall Street with much lower than expected earnings for the third quarter of the year, *despite strong growth in* orders and revenue.

The computer and electronics group reported net earnings of 58 cents a share for the three months to July 31, well below analysts' forecasts of around 68 cents a share.

Net earnings for the quarter were $617m, a 45 per cent increase over net earnings of $425m, or 40 cents a share, in the *same period last year.* However, last year's figures were depressed by a special charge related to HP's withdrawal from the disk-mechanism business. Without this special item, earnings would have grown by only 11 per cent. In early trading HP shares fell 5 per cent to $62¼ from Friday's $66⅛ close.

Lew Platt, chairman and chief executive, acknowledged that profits were disappointing. Sales costs had increased faster than in recent quarters *due to efforts to stimulate revenue* and order growth. A delay in shipments of new medical equipment products, which typically carry high margins, had also taken its toll.

Operating expenses increased by 18 per cent compared with the third quarter of last year. Expenses were driven up by costs related to *HP's acquisition of Verifone* and by higher spending on stock appreciation rights, or SARs, a form of stock options. SAR costs were up because of a sharp increase in HP's stock price, which rose 33 per cent during the quarter. These factors reduced net earnings per share by about 7 cents, said Robert Wayman, chief financial officer.

Net revenue for the quarter was $10.5bn, compared with $9.1bn in the same period last year. Net revenue in the US *was $4.8bn, an increase of 15* per cent over last year, while revenue from outside the US also rose 15 per cent to $5.7bn.

Orders booked during the quarter were $10.4bn, a 19 per cent increase over last year's third quarter. The US led with 25 per cent order growth. International orders were up 15 per cent.

For the year to date, HP *reported net earnings of* $2.8bn, up 19 per cent from $1.9bn in the first nine months of fiscal 1996. Earnings per share rose 20 per cent to $2.20 versus $1.84. Net revenue increased 10 per cent over the same period last year at $31.1bn against $28.3bn.

KLM buys into Nordic carrier

By Gordon Cramb in Amsterdam and Greg McIvor in Stockholm

KLM, the Dutch airline, yesterday agreed a tie-up with Braathens Safe, a Norwegian carrier that has been challenging the dominant position of Scandinavian Airlines System in the Nordic market.

The tie-up extends KLM's network of international air alliances.

The Dutch airline is to pay Fl 200m ($97.6m) for a stake of about 30 per cent in Braathens, an Oslo-quoted company in which the shipping line of the same name has a majority holding. Braathens serves 14 domestic destinations and six other countries. Amsterdam's Schiphol airport will be added to that list, giving it a feeder role into a KLM network that includes Northwest Airlines of the US and Air UK – a similar sized regional carrier where the Dutch *group last month* agreed to take full control.

KLM has been seeking partners to increase its share – about 8 per cent – of the Europe passenger market, and to withstand competition from alliances such as the one SAS has forged with Germany's Lufthansa and three other intercontinental operators.

Braathens, which flew 5.4m people last year, will add less than a percentage point to KLM's European market share, which analysts believe can be increased only by linking with a national flag carrier such as Alitalia.

The deal marks the latest step in a rapid growth of competition on the Scandinavian market. In the past year, SAS, the market leader, which is 50 per cent owned by the Swedish, Norwegian and Danish governments, has faced new competition on international routes. At the same time, Braathens – Norway's biggest domestic carrier with a 50 per cent market share – has *striven to expand its international operations.*

Lacklustre debut for shares of KUB

By James Kynge in Kuala Lumpur

Shares of KUB Malaysia, a Malaysian conglomerate with impeccable political connections, rose on their debut on the Kuala Lumpur Stock Exchange yesterday despite a 3.3 per cent decline in the wider market which sent the main index to a 32-month low.

However, KUB's performance was lacklustre when set against the fact that the share prices of many Malaysian companies routinely climb several fold on listing.

KUB closed up 28 Malaysian cents, or 15.6 per cent, at M$2.08 from its offer price of M$1.80. It had hit a high of M$3 during hectic trading. At M$2.08 per share, the company was valued at M$1.04bn (US$373m).

The closing price was significantly below the M$3.50 to M$4 which Hassan Harun, the company's chairman, had hoped for.

KUB was formerly the main business co-operative under the United Malays National Organisation (UMNO), the dominant political party in Malaysia's ruling Barisan Nasional coalition.

It boasts many senior politicians among its 124,000 members but lacks a clear business focus. The company has scores of subsidiaries plying trades as diverse as oil and gas-processing to banking, but many of these have been dormant for years.

Mr Hassan, the company's chairman and himself a former senior UMNO politician, is expected to embark upon a thorough restructuring programme. The main value in the company is a minority 30 per cent stake in Sime Bank, the nation's fifth-largest.

Mr Hassan did not rule out a possibility that KUB may at some stage sell the stake, which contributes as much as 70 per cent of net profit.

The proceeds from such a sale – which some analysts estimate could total M$1bn – could be used to fund acquisitions and find a clearer focus for the conglomerate.

KUB is expected to rely heavily on its political contacts to help win it lucrative infrastructure and other projects. Mr Hassan has signalled the company's determination to be involved in the multimedia super corridor, Malaysia's most ambitious infrastructure project which envisages building a "silicon valley" from a green-field site near Kuala Lumpur. There are also plans for a petrochemical venture.

The politics of business, Malay-style

A company's connections used to guarantee its success, but KUB may find this is changing

In a country where good political connections are often regarded as the secret of corporate success, a company which counts most members of the dominant political party as its shareholders might be considered assured of a bright future.

It says much, therefore, about the general sense of caution which is descending upon Malaysia that the listing yesterday of KUB Malaysia was a somewhat lacklustre affair.

There can be few, if any, commercial organisations in the country with connections more impeccable than those of KUB.

It was founded in 1977 as the only co-operative for the United Malays National Organisation (UMNO), the dominant party in the ruling Barisan Nasional coalition.

Dr Mahathir Mohamad, prime minister, and most of the cabinet number among its shareholders, KUB executives say.

Other companies with a similar pedigree have been showered with government beneficence. Renong, the country's leading infrastructure company, had little but friends in high places when it began a startling transformation in 1990.

Its contacts helped it win many plum contracts and it is now one of the largest companies on the Kuala Lumpur Stock Exchange, with 12 listed subsidiaries.

KUB, executives say, was being groomed for similar pre-eminence. But with many economists predicting that Malaysia's economy may slow abruptly late this year or in 1998, its involvement in the government's large-scale infrastructure projects is beginning to be seen more as a liability than an asset.

Such talk, however, does not deter Hassan Harun, KUB chairman and an ebullient force behind the company's recovery from insolvency in 1991.

KUB's path to listing bore many of the hallmarks of how several business have been turned round during the past nine years of economic growth at above 8 per cent.

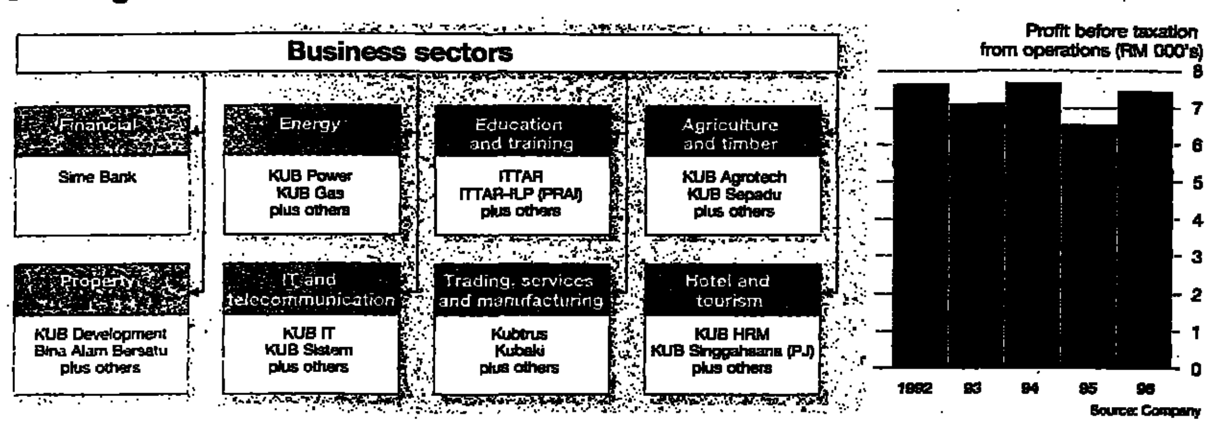
Mr Hassan calls the method "paper shuffling".

The first move was to rid KUB of its considerable debts.

Relying on the surging stock market, Mr Hassan made an offer under which any co-operative shareholder who subscribed to buy more than 1,000 shares in KUB would get 2,000 shares free in Damansara Realty, a listed property company, to which the co-operative had ties.

"I never knew that Malays had so much money. They just walked into my office by the hundreds. They put down M$10,000, M$5,000. They were queueing," Mr Hassan says of the scheme.

Entering the charmed circle



With the company's listing, he gains a chance to enter an inner circle of businessmen with regular access to Dr Mahathir and other top politicians, such as Daim Zainuddin, the prime minister's economic adviser.

"I was first a politician," said Mr Hassan. "From 1991 until last year, I was a member of [UMNO's] supreme council. I was chosen by the prime minister as one of his appointed members of the council."

It is not surprising that Mr Hassan's business strategy dovetails almost seamlessly with Dr Mahathir's ambitions for nation building. First, there is the multimedia super corridor, a vast project that envisages the creation of a Malaysian "Silicon Valley" near Kuala Lumpur.

Mr Hassan says that some of the proceeds of yesterday's listing will go toward the creation of a "virtual university" in the corridor, in which students learn through accessing materials through computers.

"The lectures will be digitised and multimedia. If you need the answers you can just press a key," he says.

He adds that KUB is likely to become involved with some of the construction of Putrajaya, a M$20bn (US$7.2bn) administrative capital taking shape within the corridor south of Kuala Lumpur.

Industry analysts say that just a few months ago, involvement in such a project would have been seen as highly attractive by portfolio investors. But as the stock market has lost M$160bn in value since the start of this year, people are now preoccupied by predictions of the difficulties of raising equity finance for infrastructure projects and a property glut next year.

Other plans include a petrochemicals venture in the north-eastern state of Kelantan, where Mr Hassan was born. But the M$2bn project is not scheduled to start its construction phase until 2000 and Mr Hassan acknowledges that there could be problems in acquiring land in a state controlled by PAS, an Islamic opposition party.

The only jewel in KUB's crown is Sime Bank, the nation's fifth largest, in which the company has a 30 per cent stake but no management say.

"It is difficult to see at this stage where KUB will find a lucrative, recession-proof business to boost its bottom line," says one analyst in Kuala Lumpur. "Let's hope that the government will find it one."

James Kynge

Weaker yen helps Pioneer

By Gwen Robinson in Tokyo

A weaker yen and a restructuring helped Pioneer Electronic, the Japanese maker of audio equipment, report a jump in profits for the April-June quarter.

Consolidated pre-tax profits nearly tripled to Y2.35bn ($20m) in the period – the first quarter of Pioneer's business year – against a pre-tax profit of Y766m a year earlier.

The improvement more than offset the negative impact of Japan's April 1 sales-tax increase.

The group's total sales edged up 0.6 per cent to Y129.81bn. Overseas sales grew nearly 8 per cent to Y85.9bn, helped by the yen's decline against the dollar and robust sales of digital direct-broadcast satellite decoders, which were launched on the European market during the quarter.

However, the tax increase and a slump in demand for laser-disc products and commercial-use karaoke video systems hit domestic sales, which fell 11 per cent to Y43.8bn.

Although car electronics products enjoyed brisk demand in overseas markets, particularly Europe, Asia and Latin America, domestic sales were weak. Sales of video and music software, meanwhile, plunged more than 42 per cent.

Analysts said Pioneer's turnround from a weak first quarter last year was largely due to the company's restructuring and its recent slowdown in capital investment.

After-tax profits rose 28 per cent to Y1bn. For the full year, Pioneer said it was confident of meeting its target of Y8bn-Y9bn in consolidated after-tax earnings.

The company is cutting back some mainstay lines, such as laser-disc products, and expects strong demand for DVD-related products, including laser-disc-compatible DVD players.

Napocor warns on profits

By Justin Marozzi in Manila

National Power Corporation (Napocor), the Philippines' largest state-owned utility which is awaiting privatisation, warned of a 40 per cent drop in net income to 3.35bn pesos ($112.4m) this year.

The group said profits would fall from last year's 5.54bn pesos because of a 30 per cent rise in the cost of servicing its debt, to 25.7bn pesos.

The company, which is due to be floated this year, is set to be dismantled into a single transmission company and seven generating companies, although the exact date of its privatisation depends on the progress of legislation in Congress.

Napocor said its total foreign debt was about $5.3bn at the end of 1996 – although that has risen in peso terms following recent turbulence on foreign exchange markets. Yesterday, the peso hit a record low against the US dollar, breaching 30 pesos to the dollar.

Napocor said that although net utility revenues were forecast to rise 26 per cent to 80.3bn pesos, operating expenses would also climb, by 36 per cent to 68.4bn pesos.

It said it would need to increase rates by an average 30.6 centavos per kilowatt-hour – compared with 23.67 centavos last year – to take into account the increased costs arising from fuel prices and foreign exchange adjustments.

Analysts said investor appetite for Napocor's offering would depend on how the company – which is being advised by N.M. Rothschild and Merrill Lynch – groups its assets.

"If they put the profitable and unprofitable ones together, there might be broad interest; otherwise you will see some assets purchased and others passed over," one analyst said. "The problem is, it's all very sketchy at the moment."

ASIA-PACIFIC NEWS DIGEST

Growth slows at Vietnam Airlines

Vietnam Airlines, the state-owned flag carrier, yesterday blamed slowing foreign investment and tourism in Vietnam for sharply lower growth in passenger traffic in the first seven months of this year.

Vietnam Investment Review, a semi-offical publication, reported that the carrier's traffic grew 7 per cent to the end of July, compared with more than 35 per cent annually since 1993. Lat year the airline carried 2.6m passengers, up from 2.2m in 1995 and 1.67m in 1994. The airline was quoted as saying that this year's target of 3m was unattainable, even with the influx of visitors expected for a summit of French-speaking nations which Hanoi is hosting in November.

The figures are a blow to the airline's plans for rapid expansion. Vietnam Airlines has recently been acquiring extra aircraft, mostly on a lease basis, in an attempt to expand its routes in south-east Asia.

Vietnam Airlines is seen by bankers as one of the communist-run country's best-managed state companies, likely to be among the first to list on an eventual stock exchange. *Jeremy Grant, Hanoi*

■ SINGAPORE

Keppel, PSA in joint development

The Port of Singapore Authority and Keppel, the Singaporean conglomerate, will jointly develop sites totalling 52.3 hectares in western Singapore.

The sites to be developed comprise 32 ha of prime waterfront land – including Pulau Keppel, which belongs to Keppel – and 20.3 ha of mixed-use development located at the Maritime Square, PSA and Keppel said. Maritime Square, which encompasses the World Trade Centre, Cable Car Towers, Singapore Cruise Centre, Expo Halls and carparks, will become a hub for maritime business and leisure activities. Keppel has obtained outline planning approval to develop its site into a waterfront condominium with marina facilities and an office park.

When completed, Keppel's project will yield a total floor area of about 435,000 square metres. *Reuters, Singapore*

■ PHILIPPINES

Low-cost units lift C&P Homes

C&P Homes, the Philippines' largest home-builder, said yesterday it lifted first-half profits 12 per cent year-on-year to 1.53bn pesos ($51m) as a result of strong demand for its low-cost units.

Manuel Villar, chairman, said that although certain areas in the property market might have been damaged by talk of oversupply – particularly in the high-end condominium market – there was continued growth in more affordable housing, on which the group focuses. The number of units sold in the first half rose slightly, from 11,555 to 12,044. Sales increased 8 per cent to 5bn pesos. Expenses rose 3.8 per cent to 624m pesos.

Shares in the group closed down 50 centavos at 8.80 pesos yesterday as the Philippine Stock Exchange took another tumble amid continued uncertainty over the peso. *Justin Marozzi, Manila*

■ CONSTRUCTION

Fujita revamp drawn up

Fujita, the Japanese construction company, said it had drawn up a restructuring plan covering the period to March 31 2000, and that Sakura Bank, its leading creditor bank, had said it would accept the plan, the company added.

Fujita said that other banks, including Tokai Bank, were also likely to accept the restructuring programme. "Sakura Bank said it would accept our plan and Tokai said that it was considering accepting it. They will give us support so that we will not have difficulties raising funds for our operations," it said.

Under the restructuring, Fujita will attempt to cut its debts by Y157.4bn to Y480bn ($4.1bn) by the end of March 2000, the company said. It will also cut its workforce by 560 to 4,900 through attrition, a freeze on recruitment and an early retirement programme. In addition, the group will try to improve profit margins in its construction projects from 8.9 per cent in 1996-97 to 10.1 per cent in 1999-2000.

Fujita aims to post current profits of Y10.4bn at parent company level for 1999-2000 on sales of Y744bn. This compares with a profit last year of Y8.16bn on sales of Y709.8bn. *Reuters, Tokyo*

COMPANIES AND FINANCE: EUROPE

Fresenius bolstered by acquisitions

By Sarah Althaus in Frankfurt

Acquisitions helped Fresenius, the rapidly expanding German health products company, to a surge in first-half net profits which masked problems at its new medical dialysis subsidiary.

Net profits more than doubled from DM53m in the first six months of last year to DM116m ($64m).

The group attributed the increase to acquisitions, strong gains in its core business and the inclusion of Fresenius Medical Care, formed last year after it bought National Medical Care, the dialysis arm of W.R. Grace of the US, in a multi-billion dollar deal.

Group figures were at the upper end of expectations, although analysts were disappointed with FMC, which registered net profits of $54.6m, up 46 per cent from $37.5m last year on a pro forma basis, on sales of $1.58bn, compared with $1.51bn. "Group net profits were slightly up on our forecasts ... with the stronger dollar and particularly good pharmaceuticals sales providing an extra impetus," said Wolfgang Sawazki, analyst at WestLB Research. "FMC, on the other hand, was a letdown: the integration is obviously not proceeding as smoothly as Fresenius had anticipated."

Christiane Nestroy, analyst at Vereinsbank Research, said she had expected interim net profits at FMC of $80m and that the unit would therefore "unlikely reach our full-year earnings per share forecast of $2.01, which was already at the bottom end of market forecasts".

However, Gerd Krick, Fresenius chairman, was more upbeat. "FMC's performance in the first two quarters shows we are on the right track ... as a result of our aggressive acquisition strategy, our dialysis services business is growing faster than the overall market," he said.

At the pre-tax level, group profits more than trebled from DM98m to DM337m, on sales of DM3.50bn compared with DM1.35bn. Excluding acquisitions and FMC, sales were up 12 per cent.

"Our expansion in international markets and our leading role in the concentration process taking place in the dialysis services sector will secure our long-term growth," Mr Krick said.

He noted that only 13 per cent of total turnover in the first half came from Germany.

At group level, pharmaceutical sales rose 32 per cent to DM537m, bolstered by the group's entry into the Italian infusion solutions market with the acquisition of Sifra, an infusion and dialysis company.

Investments climbed from DM93m to DM267m.

A quiet revolution in Russian banking

Institutions are acting less like trading houses and more like recognisable financial intermediaries

Scarcely a day passes in Russia without a scandal erupting around the country's banks. They are accused of buying state assets on the cheap or mishandling budget funds, manipulating government officials or corrupting the media.

But amid the noise and fury, a quieter and potentially far more significant revolution is under way: some of Russia's 1,700 free-wheeling banks are mutating into recognisable financial intermediaries. The growing trend is to raise longer term capital from international investors and domestic depositors, and *pump it into the local* economy.

Sergei Aleksashenko, deputy chairman of the central bank, says the successful stabilisation of the economy signals the end of fast profits for Russia's banks; either they must adapt or die. "Many Russian banks lived and live like financial trading companies, making money speculating on the currency and government debt markets. But profits from these markets have sharply fallen away," he says.

"If banks do not find their place in the normal credit business, then they will have a very sad fate."

Already, Mr Aleksashenko's predictions are coming true. Like other post-communist transition economies, Russia is experiencing a banking crisis – albeit in slow-motion. Over the past two years, 450 banks have collapsed, including some large regional banks, such as Tveruniversalbank, which ranked as the 17th biggest. Local bankers expect a further wave of failures and mergers as the sprawling industry consolidates.

But a small group of powerful banks, including Oneximbank, SBS-Agro, and Alfa Bank, which have jointly raised $650m from eurobond issues over the past few weeks with the aim of making long-term industrial loans, are pointing the way to the industry's future.

"The time has come when *banks must begin in earnest* to do what banks everywhere are ordained to do – which is to lend money," wrote Tanya Azarchs, an analyst at Standard & Poor's, the international credit rating agency, in a recent report on the sector.

Oneximbank, which has recently attracted publicity for controversially buying government stakes in the Svyazinvest telecommunications company and the Norilsk Nickel metals group, is planning to invest long-term capital in developing its related industrial assets. In effect, Oneximbank is emerging as the treasury for the associated Interros financial industrial group, which controls 24 industrial companies with combined sales of $10bn.

Vladimir Potanin, head of Oneximbank, says the bank's chief aims will be to strengthen its capital base and broaden its branch network to service its diverse industrial assets. With access to capital from abroad, Oneximbank will be able to lengthen the maturity of its loans to up to three years.

At the current stage of Russia's economic development, Mr Potanin argues it is far safer to lend money to enterprises which the bank controls. Poor legal and accounting standards make unsecured third-party loans a risky business. "We want to be sure that the money we invest will be properly man*aged," he says.*

But other banks are pursuing different strategies, arguing it is both dangerous and economically inefficient to be over-reliant on a captive client base. For example, Alfa Bank, founded to support the Alfa Group of companies, is busy disentangling itself from most of its related group businesses to strengthen its credibility as an independent corporate bank.

Mikhail Fridman, head of Alfa Group, says that being a pocket bank of a big financial-industrial group leads to excessive concentration of assets and risks, and leaves enormous opportunities begging elsewhere.

"We understand that to develop as a nationwide bank, a universal bank, we need to have more transparency for investors. We are therefore trying to develop the bank as an independent entity with an independent strategy. Now the relationship between the bank and the group is absolutely commercial," he says.

At present, Russia appears considerably underbanked – especially outside Moscow. The average bank has only two branches. As of mid-1996, 81 per cent of all loans extended by Russian banks were for less than one year. Total banking assets at the end of 1995 amounted to just $132bn, or 34 per cent of gross domestic product. In *the Czech Republic, for* example, the comparable figure was 155 per cent.

SBS-Agro, which was formed last year from the merger of the Stolichny Savings Bank and Agroprombank, the state agricultural bank, believes its future lies in retail banking. At the moment this sector is dominated by Sberbank, the state savings bank, which boasts 34,000 branches and holds 70 per cent of all retail deposits.

Mikhail Fridman, chairman of Alfa Bank Group *The European*

But Andrei Lykov, first deputy chairman, argues the vast, unwieldy Sberbank is vulnerable to competition. He says SBS-Agro now has 1,400 branches covering 62 of Russia's 89 regions, and expects to win 10 per cent of the retail deposit market by the end of the year.

The bank is offering a growing range of consumer products, such as credit cards, savings accounts, and insurance services to attract retail depositors. "Our population may have between $20bn to $40bn of money under their mattresses and if we can attract even part of that money, we will have a very stable and independent funding base," he says.

In contrast to Oneximbank and Alfa, SBS-Agro is concentrating on loans to the small to medium-sized business sector, where competition is less intense and the demand for efficient banking services is all the greater.

"One year in Russia is like 10 years abroad," Mr Lykov says. "The situation changes very fast. But it is clear that bankers should now specialise in banking."

John Thornhill

EUROPEAN NEWS DIGEST

Bally revamp 'needs funds'

Ernst Thomke, a well-known company doctor who was brought in to turn around Bally in September 1995, says he needs an extra SFr150m ($100m) to revamp Bally.

He is known to want to speed up its recovery by floating a minority of its shares on the stock market. However, at the end of July the group announced there were no plans to float Bally, which led to a well-publicised boardroom row culminating in Mr Thomke's threat to resign.

Oerlikon-Bührle said yesterday's meeting of the Bally board had been purely a presentational affair and no decisions had been taken.

The group, which publishes its half-year results next week, refused to say when it would disclose its new strategy for Bally. However, it confirmed that Mr Thomke had not tendered his resignation.

Observer, Page 11 *William Hall, Zurich*

■ BROADCASTING

Telefónica chief joins TV group

Spain's Antena 3 television station yesterday appointed José Mas Millet, Telefónica secretary-general, as its new chairman. He will be joined on the board by three other directors from the Spanish telecoms group.

The appointments mean Telefónica has in effect assumed control of the private television channel, in defiance of the European Commission.

The Commission warned the Spanish telecoms operator last week to get EU approval before going ahead with its purchase of Antena 3.

The acquisition had been challenged by CanalSatelite, a Spanish digital television platform backed by France's Canal Plus, in the latest round of the battle for control of Spain's fledgling pay-TV market.

Telefónica argues its purchase of 25 per cent of Antena 3 is a domestic rather than European competition issue. The telecoms group said it had informed Spain's competition watchdog of its plans. Antena 3 shareholders approved Telefónica's acquisition at an extraordinary meeting yesterday. *Reuters, Madrid*

■ *TELECOM ITALIA*

Indirect stake in 'yellow pages'

Telecom Italia has reached a deal with Banca Commerciale Italiana to take an indirect stake in Seat, the publishing business spun off by the former Stet telecoms holding group.

A group led by BCI announced last month it would pay L1,580bn for 61.7 per cent of Seat ordinary shares currently owned by the Italian Treasury.

Telecom Italia, which is keen to take a stake in the publisher of Italy's "yellow pages" directory, has signed a deal with BCI to buy 20 per cent of the holding company which has been especially created to purchase the Seat stock. The holding, Otto, is backed by eight investors, including BCI, Telecom Italia, and US bank Citicorp. Otto will have share capital of L1,000bn, with Telecom Italia providing up to L200bn.

Telecom Italia, which is due to be privatised in October, will also provide other guarantees to allow the Seat acquisition to go ahead. *Reuters, Rome*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Volkswagen interims surge 73% on exports

By Graham Bowley in Frankfurt

Volkswagen shares rose strongly yesterday after the German carmaker reported a 73 per cent surge in net profits, to DM488m ($271m), for the first half of 1997.

Buoyant foreign demand, especially in Europe, lifted sales at the Volkswagen Group – which includes the VW, Audi, Skoda and Seat marques – by 12 per cent to DM56.6bn.

The results will reinforce investor confidence in the strategy being followed by Ferdinand Piëch, chairman. VW reiterated its upbeat forecast for the whole of 1997, predicting that earnings would rise for the fourth consecutive year.

In 1996, VW reported record group net profit of DM678m and sales of about DM100.1bn.

Ferdinand Piëch: predicts earnings rise for fourth year

VW is the latest German carmaker to report a strong performance in the first half of this year – helped by demand outside Germany and the weakness of the D-Mark against other currencies, especially the US dollar. BMW and Daimler-Benz both reported big rises in net profits in the first six months.

The figures were in line with analysts' expectations, but they helped the carmaker weather the general decline in German shares yesterday.

Volkswagen shares, which have been among the best performing stocks in the Dax index this year, rose DM30 to DM1,283, despite the sharply weaker German market which at one stage was down about 150 points. At the close of electronic trading, the Dax index of German blue-chip shares had recovered to 4,080.55, up 2.96 points.

Skoda – the group's Czech division – reported the strongest increase in deliveries of new cars, up 27.3 per cent to 161,886.

Deliveries in the Audi luxury car division also rose strongly, up 12.8 per cent to 276,073. Total deliveries rose 9.9 per cent to 2.2m cars.

However, the carmaker reported difficulties in the German market because of depressed consumer demand.

German sales rose only 1.2 per cent to DM19.34bn. In contrast, foreign sales were 18.5 per cent higher at DM37.2bn.

Sales in the VW car division increased to DM27bn, up 4.8 per cent. Net profit was 20 per cent higher at DM276m.

Analysts said domestic demand for VW cars may have been held back as potential buyers waited for the introduction of the new Golf model, expected at the Frankfurt motor show next month. Analysts have warned that the group could face substantial launch costs for the new model.

VW said deliveries to China of VW and Audi cars rose 25.2 per cent to 143,116.

Investment in the first six months of 1997 rose 16.8 per cent to DM3.4bn, most of which went to the VW brand, Audi and VW's Mexican and Brazilian operations.

Julius Baer posts 62% rise halfway

By William Hall in Zurich

Julius Baer, the biggest of the Swiss private banks, reported a 62 per cent increase in first-half net income after minorities to SFr107.5m ($72m), helped by a SFr50m jump in profits on securities trading as well as dealing in foreign exchange and precious metals.

The 63 per cent surge in trading income to SFr129m overshadowed a 45 per cent rise in the group's net fee and commission income to SFr216.1m.

The group, which specialises in managing funds for private clients, aims to reduce its dependence on *volatile trading profits* by building up its fund management business – a more stable source of revenues.

The group, which earned just SFr36m from trading in the first half of 1994, said 55 per cent of its trading income was client-related. Results from trading in securities rose 83 per cent, to SFr77m, and revenues from precious metal and foreign exchange trading grew by 41 per cent to SFr52m.

Baer is the last of the big Swiss private banks to report results. Its profits rise was better than the 48.4 per cent increase, to SFr52.1m, reported by the *Vontobel Group.*

However, its performance was not as strong as Liechtenstein Global Trust's, where first-half net profits rose by 81 per cent to SFr113.6m. Baer's assets under management rose by 39 per cent to SFr78.3bn.

Southern chief hits at UK utility tax

By Bruce Clark in Atlanta

Southern Company, the Atlanta-based energy concern, has no regrets about buying South Western Electricity (SWEB), the UK regional electricity and gas supplier, but will keep its presence in the UK under review, according to A. W. Dahlberg, the US group's president.

Southern, whose purchase of SWEB was the first of seven takeovers by US power companies of privatised UK energy groups, has been among the harshest critics of the Labour government's windfall profit tax on utilities.

Mr Dahlberg said SWEB's tax bill, equivalent to $160m, had wiped out two years of expected earnings and was "frankly disappointing" in view of efforts to improve efficiency and customer service at the UK subsidiary.

Asked if his company, a regional utility which has spent about $4bn on overseas acquisitions over the last two years, remained committed to the UK market, Mr Dahlberg said: "I think you have to be realistic and look at the economics of every environment you're in. You make ongoing evaluations of how you operate in a particular market.

"We went to England as a long-term investor, that was our intention and it is our intention now." But he added that in any overseas market, "you have to look constantly at the value that's provided to our shareholders".

He strongly denied allegations in UK media that Southern had taken large sums out of SWEB, in the form of an unusually large dividend, to avoid exposure to the utility tax.

"We paid down some of the debt which we used to buy SWEB, and any dividends that went out were used to pay off that debt, not to come back here," Mr Dahlberg said.

The need for continuous scrutiny applied equally to all Southern's global interests, which include Consolidated Electric Power Asia, the Hong Kong-based group, and utilities in Latin America and the Caribbean, he added.

The UK windfall tax, combined with unusually cool weather in the south-east US, which depressed the use of air conditioning, meant that 1997 results "won't be outstanding". However, Mr Dahlberg expected non-traditional business to start boosting revenues from the end of this year.

New business included participation in the rapidly growing wholesale US energy market, and the completion next year of a power generation plant in the Philippines.

This month Southern joined the trend towards convergence between the US gas and electricity sectors by announcing a joint venture with Vastar Resources, a Houston company, which aims to be among the top US marketers of gas and power.

Southern, one of the 30 most widely held US stocks, reported earnings last year of $1.13bn – a 2.2 per cent increase on 1995 – on revenues of $10.4bn, a 12.8 per cent increase on the previous year.

But in the second quarter of this year, net income tumbled from $287m to $215m, or 31 cents a share.

AMERICAS NEWS DIGEST

Monsanto details chemicals spin-off

Monsanto, the St Louis-based chemicals, biotechnology and agricultural products group, will spin off its chemical interests as a separate stock exchange-listed company on September 1. The group said that the new company, with annual sales of about $3bn, would be known as Solutia, while the ongoing life sciences business – which will take in the group's biotech, herbicide and crop-related interests – would retain the Monsanto name.

Monsanto, whose total sales last year stood at just over $9bn, added that it expected to announced a "new positioning" for the life sciences company this year, but gave no further details.

Separately, Monsanto said it had received notice that the Justice Department had completed its antitrust review of the proposed $1.02bn purchase of Holden's Foundation Seeds and two related companies. "Monsanto is proceeding to close the acquisitions," it said.

Nikki Tait, Chicago

■ CHEVRON

Plan to drill off Florida coast

Chevron USA, the oil company, has completed a controversial application to drill for natural gas in federal waters about 25 miles off the north-west coast of Florida, the US Minerals Management Service, an Interior Department agency which regulates oil and gas production in federal waters of Gulf of Mexico, said on Monday.

The plans, expected to spark protests from Florida environmental groups, must be approved by federal and state regulators in a process that could take up to two years, the agency said.

Chevron expects to drill between 12 and 21 wells and produce up to 450m cubic feet of natural gas a day from the prolific Destin Dome formation. The start date is March 1999, said the MMS.

The plans, if approved, would end a long-time moratorium on drilling off the coast of Florida.

Reuters, Houston

■ PAGING

PageNet loses fourth executive

A shake-out at the top of Paging Network, the largest US paging company, continued yesterday with the resignation of Kenneth Sanders, its chief financial officer.

Mr Sanders was the fourth key executive to leave a post at Paging Network in two weeks. The chairman, president and chief executive, and marketing chief all stepped aside on August 4, just before the company named John P Frazee, former president of Sprint, as president, chairman and chief executive.

Mr Frazee was building his own management team, analysts said. They differed over whether additional management changes were coming at the Dallas company, commonly called PageNet. However, they agreed that Mr Frazee's revamping of management would be positive for the company.

AP-DJ, New York

■ EXPLORATION

Duke arm wins Peru licence

An affiliate of Duke Energy, the US energy group, and its partners have signed with Peru's state energy company to explore for natural gas in block 85 in the Ucayali Basin.

The deal is part of Peru's ongoing sale of exploration and production licences to private companies and the privatisation of its energy sector.

PanEnergy Exploration and Production (Peru), the Duke affiliate, will serve as operator under the licence agreement, which gives the partners the right to explore for gas in 390,000 acres in the western area of the Ucayali Basin near San Alejandro.

Other partners are Buenaventura Ingenieros, a Peruvian mining concern, and Mosbacher Peru, a Peruvian subsidiary of Mosbacher Energy, the US exploration and development company.

Reuters, New York

■ ADVERTISING

Outdoor closes $1bn acquisition

Outdoor Systems has completed its $1bn purchase of National Advertising, the outdoor advertising operations of Minnesota Mining and Manufacturing (3M).

Outdoor Systems said it now operated about 220,000 poster, bulletin, transit shelter, subway and mall displays in 96 of the top 100 US advertising markets and seven of the top 10 Canadian markets.

The company also said that in conjunction with this deal, it sold certain markets acquired from 3M to Lamar Advertising for $116m cash.

Separately, Outdoor Systems said it had filed an application to list its common stock on the New York Stock Exchange, where it expected to begin trading in the first week of September.

Reuters, Phoenix

Texaco in $1.4bn Monterey merger

By Christopher Parkes in Los Angeles

Texaco is to increase its Californian oil output by almost one-third through a $1.4bn all-share merger with Monterey Resources, the state's leading independent producer of heavy crude.

Yesterday's agreement underscored Texaco's sharpened focus on exploration and production as it prepares to pool much of its US refining and marketing capacity with Shell Oil.

It could also signal further, similar deals in the region where rapid population growth is expected to bolster demand – and prices – for locally-produced oil.

Monterey last month completed a $106m acquisition of McFarland Energy and said it might buy more Californian producers if crude prices improved. There have also been reports that Texaco's Canadian subsidiary might be preparing a bid for Elan Energy, a heavy oil producer based in Alberta.

Monterey's stock price jumped 35 per cent to more than $20 following the news, and by late morning was within a few cents of the offer's valuation of $21 of Texaco shares for each Monterey unit.

According to unofficial estimates, the acquisition of the Bakersfield-based company will increase Texaco's daily Californian oil output to 180,000 barrels a day – or almost 20 per cent of the state's total.

Monterey's 385m barrels of proven reserves will also provide a substantial boost to its new owner's existing booked resources in the state of 480m barrels.

Most of its properties are located close to Texaco's holdings in the San Joaquin valley, which could help reduce aggregate operating costs which are typically higher than those for lighter grades of oil.

Under the terms of the merger, which is expected to be completed within 90 days, Texaco will also assume Monterey's debts of $285m.

New challenges, Page 11

Sprint supports Stones on tour

By Alice Rawsthorn

Sprint, the US telecommunications company, has become the latest recruit to the fast-growing business of rock sponsorship by backing the Rolling Stones' forthcoming *Bridges to Babylon* world tour.

It is understood that Sprint will pay several million dollars to be named as sponsor of the tour, which starts in Chicago on September 23 and moves to Europe next spring.

Sprint, whose chairman William Esrey staged a press conference yesterday with the four Rolling Stones beside Brooklyn Bridge in New York, will also promote the tour by featuring it in its advertising.

The Stones' deal with Sprint comes as companies are stepping up their investment in rock sponsorship.

Traditionally, the only acts able and willing to strike sponsorship deals were established stars with mainstream appeal – such as the Stones, whose 1994 *Voodoo Lounge* tour was backed by Volkswagen, the German carmaker.

Younger bands, such as U2 and R.E.M., eschewed sponsorship on the grounds that it might imperil their image.

However, the high cost of touring has prompted some acts to reconsider their antipathy towards sponsorship.

U2, which faces a $60m bill for staging its current *Pop-Mart* tour, may accept sponsorship in future, according to Paul McGuinness, the band's manager.

Similarly, the broadening age base of the music market has made an association with rock and pop attractive to more companies.

British Telecommunications is discussing sponsorship proposals with the Spice Girls for next year, after their present promotional deal with PepsiCo ends.

The BT deal is likely to include issuing special Spice Girls telephone cards.

Among brewers, Carlsberg sponsored last weekend's Elvis Presley tribute concert in London, featuring Rod Stewart and kd lang, while Tennants backs the annual T in The Park festival in Glasgow each summer.

Meanwhile, Clearasil, the acne cream, is sponsoring the tour this summer by 911, the teen idols, in a deal which includes leaving a free sample of spot cream on the seats at each concert.

Backing vocals: Sprint is the latest to sponsor Mick Jagger and the Stones on tour

Toys R Us lifted by 'virtual pet' craze

By Richard Tomkins in New York

The international craze for Tamagotchi electronic pets helped Toys R Us, the US toy retailing group, produce a big increase in sales and profits for the second quarter.

Sales surged 15 per cent from $1.7bn to $2bn as customers crowded into the company's superstores, while net profits were $36.7m, or 13 cents a share – 2 cents better than the 11 cents a share predicted by analysts.

In last year's second quarter, Toys R Us reported a net loss of $7.5m after a charge relating to an arbitration award against the company. Excluding the charge, net earnings were $27.1m.

Michael Goldstein, chief executive, said: "There's a lot of excitement in our stores right now." Sales at US stores open a year or more rose 4 per cent in the second quarter on a strong performance a year earlier, when the company held clearance sales, he said.

Mr Goldstein attributed the gains to the continued strength of the video game business, which has been boosted by the availability of Nintendo 64 products, as well as strong sales of action figures, plush toys and outdoor playsets.

He said customer traffic had also been boosted by the craze for Tamagotchi "virtual pets" – egg-shaped electronic toys on a key-ring that owners care for by pushing buttons that feed them, stroke them and put them to bed.

Toys R Us also reported "outstanding" sales and improved operating results from its international division.

In Canada and the UK, stores that had been open a year or more posted double-digit sales increases, while similar store gains were also reported in Australia, Spain, France and Japan, the company said.

The overseas sales increases were driven by new marketing programmes, the company said, as well as the continued strength of the video game business and the introduction of "virtual pets" outside Japan.

Toys R Us said it had recently suffered poor results from the US because of tough competition from the big discount store chains such as Wal-Mart Stores.

The company has been remodelling its stores to a "Concept 2000" format to counter its declining market share. It said yesterday that it had almost completed the remodelling of the first 56 stores.

Compaq, Sun target each other's markets

By Louise Kehoe in San Francisco

Sun Microsystems and Compaq Computer are taking aim at each other's core markets with computer products launched this week.

Sun aims to cast a new light on the market for workgroup servers – computers used to manage office networks of up to about 100 users – currently dominated by Compaq.

Meanwhile, Compaq is out to challenge Sun in the higher performance segment of the server market. Yesterday it launched "fault-tolerant" servers, featuring new technology that enables system administrators to replace system components without interrupting operation of the computer.

Compaq and other personal computer manufacturers have won the lion's share of the workgroup server market over the past few years by offering powerful, low-cost systems based on standard Intel microprocessors and Microsoft's Windows NT operating system.

Now Sun aims to claim its share of this fast-growing segment with aggressively priced systems based on its own combination of proprietary microprocessors and the Unix operating system.

The new Sun systems would offer greater reliability and functionality than NT servers, said Ed Zander, senior vice-president.

"Our systems will be easier to use and better than NT servers. We are raising the bar for Compaq. We will show them they have to invest [more] in research and development," he said.

While Unix systems have typically sold for about twice the price of an NT server, Sun would price the new systems at just under the "street price" of Compaq's workgroup servers, he said.

However, Compaq dismissed Sun's plans as "a desperation move".

At the same time, it said its new "PCI Hot Plug" fault-tolerant technology would be licensed to manufacturers to establish it as an industry standard, said.

The new technology would enable users to run business-critical applications on low-cost, industry-standard servers, said John Rose, senior vice-president.

"Compaq is focused on extending the power and reliability of standards-based platforms so that customers can use IT to gain business advantages," he added.

Compaq's move toward "fault-tolerant" systems coincides with its acquisition of Tandem Computers, a leader in high-performance fault-tolerant systems.

Argos sales pick up in second half

By Christopher Price

Argos, the high street retail chain, yesterday reported a 12 per cent drop in interim pre-tax profits, but said it had seen an uplift in second half sales due mainly to the impact of building society windfalls.

The group said that the 12 per cent sales growth seen in the first half had accelerated to 15 per cent since the half year-end. Like-for-like sales of 5 per cent had risen to 8 per cent in the first eight weeks of the second half.

Pre-tax profits of £28.1m ($45.8m) were struck on sales of £627m in the 24 weeks to 14 June.

Mike Smith, chief executive, said the fall in profits reflected a strong first half in 1995, higher costs and patchy consumer demand. The recent uplift pointed to a strong second half, although he warned that "the current buoyancy in consumer confidence and overall retail sales may not be sustainable."

Higher costs in the interim period were largely because of an increase in paper prices, which added £3m to the costs of producing its catalogues; higher promotion spending and the start-up of the group's Dutch operations.

In the second half, sales of "big ticket" items such as brown goods, furniture and consumer electronics had risen sharply. However, these product areas saw low or negative growth during the first half as consumers put off big purchasing decisions ahead of the election and before receiving their windfall payments.

However, Mr Smith said that even in the areas which had experienced low growth, Argos had managed to improve its market share.

He added that the company expected its gross margin to be dented in the second half reflecting the different mix of products in demand.

It also reflected the company's determination to "set the price agenda. Price deflation in the spring/summer catalogue was 2 per cent, and this was expected to rise to 3.5 per cent in the autumn/winter edition.

Argos increased its total number of stores by 11 to 415 during the first half. Ten of these were new format high street stores, while there were five closures.

Six superstores were opened, taking the total to 69. A further 18 stores will be added in the second half. The company believes it can build up a network of between 700 and 800 stores before the market is saturated.

The company said it had been encouraged by the success of its first three "First Stop" stores, a down-market electrical goods chain. It planned to open more in the second half.

The Dutch operations were on schedule to open in February. Five sites have been earmarked, with first half costs of some £5m, rising to £7-£8m in 1998.

British Biotech chief receives 59% pay rise

By Daniel Green

Keith McCullagh, chief executive of British Biotech, took a 59 per cent pay increase for the year to April 30 1997, in spite of a fall in the share price of the UK's flagship biotechnology company from 288p to 242p over the period.

The annual report also reveals that Pam Kirby, the commercial director who joined the company last September from the Swedish drugs company Astra, was paid £197,000 ($321,000) for the seven months to April 30. She was also awarded 600,000 share options, although the exercise price of 202p means she would take a loss if they were exercised today.

The company was founded in 1984 and has been loss-making since. In the year to April 1997 it made a pre-tax loss of £28.5m. The company's stock market value – £1.2bn – is based on anticipated profits from drugs in development. Its shares fell 1p to 182½p yesterday.

British Biotech said that the salary component of pay for directors had been set in May last year and therefore related to performance the previous year.

The performance-related bonuses – £108,000 for Mr McCullagh and £45,000 for Ms Kirby – were based on targets set in May 1996.

Last year, the company completed a £143m rights issue, began a series of final stage trials on its cancer drug, marimastat, and produced results from its final stage trials of Zacutex, a pancreatitis drug, which were good enough to submit the drug to medical regulators. It is still awaiting the regulators' decision.

Mr McCullagh is the only executive director surviving from the end of the previous financial year. Those that have left since have between them made profits of almost £9m exercising share options on leaving the company.

Mr James Noble, the finance director who resigned in February, made £2.3m profit on share options as well as being paid £160,000 in salary and benefits, plus a further £204,000 as "compensation for loss of office".

Dr Peter Lewis, the research and development director who retired on June 30 this year, earned £1.7m from salary and the exercise of share options. In the previous year he earned more than £2m.

Dr John Gordon, the former research director who retired in July 1996, made a profit of £2.8m exercising share options.

Mr Ronald Irwin, the commercial director who retired on September 30 1996, made a profit of £2.2m on exercising his options.

Severfield-Reeve may sell food hygiene arm

By Sander Thoenes

Severfield-Reeve, the structural steel producer, yesterday said it was considering selling or shutting down its troubled food hygiene subsidiary.

It made the announcement alongside first-half 1997 results showing a doubling of pre-tax profits from £1.8m to £3.89m ($6.34m) on turnover up 88 per cent at £52.3m (£27.8m).

John Severs, managing director, said the subsidiary in question was Manabo, which makes cleaning and disinfecting machines for knives and chainmail gloves designed for meat-processing.

Manabo, set up in 1995 in the company's first diversification from construction, made an operating loss of £902,000 in the first half, more than double the £450,000 loss for all of 1996.

"We ain't going to keep losing money," Mr Severs said. "It's not the product, it's the industry. There's such a reluctance in the meat industry to change their ways in health and hygiene." The BSE scare had also left the UK meat processing industry without spare cash for such machinery and the strong pound had hurt exports.

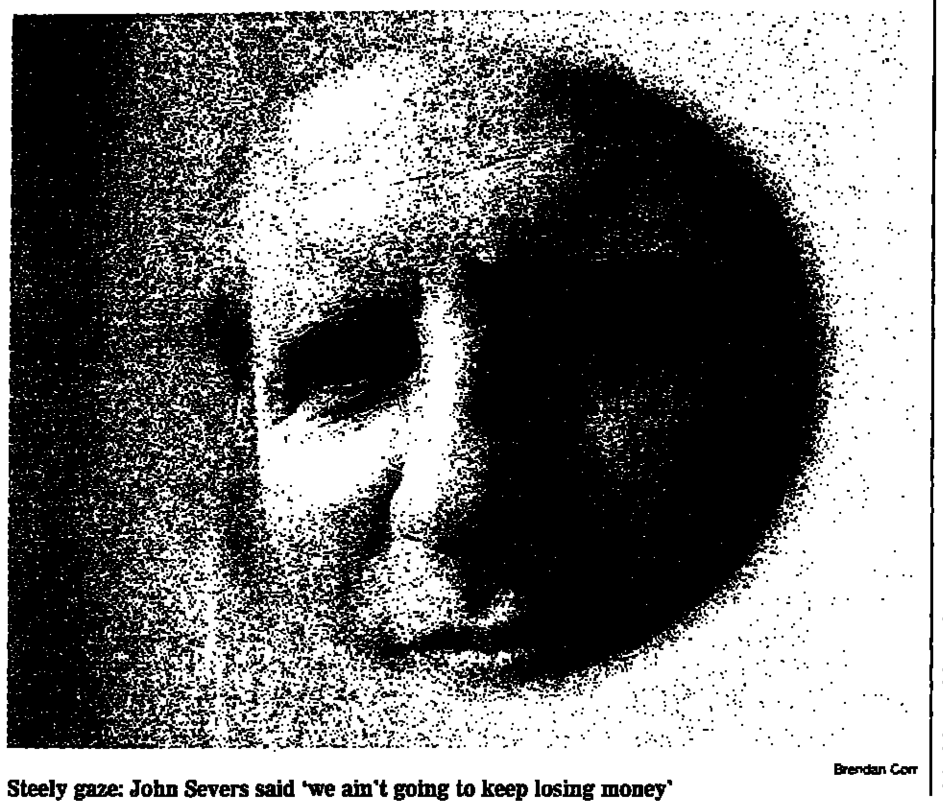
Group operating profit margins improved from 7.2 to 7.8 per cent. Mr Severs credited the company's new site at Dalton with cutting production costs and lifting productivity by 36 per cent. The plant's third production line is being extended.

About 27 per cent of turnover in the main structural steel subsidiary is made abroad. Mr Severs said this should rise if the company won tenders for a number of power plant construction contracts.

The shares, which have risen 87 per cent in two years, lost 3p to 491½p yesterday.

Earnings per share nearly doubled to 13.36p (6.92p), and the interim dividend more than doubled to 3.75p (1.75p). The company had net cash balance of about £3m.

ABN Amro Hoare Govett, the house broker, raised its forecast pre-tax profits for the full year to £8m and £10.25m for 1998. Earnings per share of 27p-28p for this year give a forward p/e of about 18, falling to 14.



Steely gaze: John Severs said 'we ain't going to keep losing money' Brendan Corr

DLJ in talks to acquire London Global for £100m

By John Gapper, Banking Editor

Donaldson Lufkin & Jenrette, the specialist US investment bank that has been expanding its European activities, is in talks to acquire London Global Securities, the securities lending company, for about £100m ($163m).

The talks, which are over details of a deal, could lead to an announcement next week. The purchase would come just six months after DLJ bought Phoenix Securities, the mergers and acquisitions advisory boutique.

DLJ, which has built up a strong reputation in the US from specialising in mergers and acquisitions advice, high yield bond underwriting and private equity investment, would provide capital backing for London Global.

The target acts as a broker between institutions that want to borrow or to lend shares. Stock lending is used by investment institutions wanting to take advantage of an expected fall in the price of a company's shares.

An institution wanting to go short of a company's shares can borrow them from another institution to sell. It makes a profit on the deal if it can buy shares in the market at a lower price later on to give back to the lender.

Stock lending is becoming more important in London as UK institutions – which have been wary of selling shares short – adopt US practices. Stock lending has been one of the main activities used by custodians to raise profits.

Both DLJ and London Global declined to comment on the talks yesterday. However, the firms are thought to be in the final stages of negotiating a complex deal.

London Global, which was founded in 1990 and has offices in both London and Greenwich, Connecticut, has become the biggest independent securities lending broker. It acts as a market maker in securities to be borrowed or lent.

Owned by the investment fund Paloma Partners since its foundation, it was put up for sale earlier this year. It still lends shares to Paloma to cover short positions held as part of its trading.

Alliance Tst keeps pace with market

By Jean Eaglesham

A successful new savings scheme to attract more private investors helped Alliance Trust to ensure that its share price kept pace with its asset growth for the six months to July 31.

Demand for the trust was also lifted by investors investing windfall shares from the converting building societies in Alliance's tax-free personal equity plan.

Alliance, which is self-managed, said it covered the costs of introducing a new Pep and new investment plan within six months. Private investors' assets covered by Alliance's savings schemes were increased by 30 per cent to more than £550m ($896.5m).

Many of these assets are invested in the Alliance trust. Nonetheless, the trust is still trading on a 14 per cent discount to net assets. This compares with a 13 per cent average discount for the other big, general trusts.

Alliance, which has a market capitalisation of £1.25bn, grew its assets broadly in line with the UK stockmarket during the six months to July 31. Net assets increased by 9.2 per cent to £1.48bn compared to a 9.9 per cent rise in the FTSE All-Share index.

The trust is "not too pessimistic" about the investment outlook, according to Alan Young, one of its managers. It should be helped by the slight weakening of sterling, since the strong pound has hit its overseas earnings.

Mr Young is not concerned by last week's fall in the US and UK stockmarkets, which matches Alliance's own cautious outlook. "It is nice to see some of the froth getting blown off the markets – it suits our book very well" he says.

Alliance will pay an interim dividend of 18.5p, up 8.8 per cent. It expects to recommend an increase in the final dividend payable next April.

Burmah continues chemicals revamp

By Roger Taylor

Burmah Castrol, the oil company, has continued the reorganisation of its chemicals division by selling Columbia Cement, part of its adhesives business, and buying SMC Group, which makes coatings and resins.

SMC was bought for DM68m ($37.5m) from Chemetall, a subsidiary of Dynamit Nobel.

Burmah said the deal gave it a leading position in the European market for binders and coatings used to make foundry mouldings.

It will be integrated with Burmah's foundry division and Jan-Roel van der Sluis, general manager of SMC, will become divisional chief executive.

Columbia, which last year had turnover of $33m (£20m) from selling sealants, adhesives and coatings, has been sold to TACC International of the US for $23m.

Last month Burmah announced that it would be reorganising its chemicals division, which with sales last year of £66m accounts for about a fifth of group turnover.

It intends to dispose of its adhesives businesses and focus the chemicals division on four areas: foundry, steelmills, construction and screen printing.

It said yesterday it planned to expand these divisions with further modest acquisitions and would sell off any businesses which failed to perform or which had limited growth potential.

After the sale of Columbia, Burmah is left with one other industrial adhesives business, with turnover of about £20m, which it aimed to sell in the near future.

Cortecs drug gets US patent

By Daniel Green

Cortecs, the Anglo-Australian biotechnology company, has been granted a US patent for its Flustat oral influenza vaccine.

Cortecs also said it had received approval from the Supreme Court of Western Australia clearing the way for UK PLC status which it plans to have completed by next month.

The company's primary stock listing will then be in London, with secondary listings on the Australian Stock Exchange and Nasdaq in the US. These are the latest in a series of steps forward for the company that have helped offset the damage to sentiment in the biotechnology sector by a series of clinical trial failures this year.

Last week, the company said it had begun the final stage of clinical trials for Pseudostat, a treatment for bronchitis, and hoped the drug could be on the market by late 1999.

On June 30, the company reported progress with early trials of Flustat.

About-turn at Brazilian Smaller

By Jean Eaglesham

In a complete turnround, the board of Brazilian Smaller Companies Investment Trust recommended yesterday that shareholders vote to continue the trust, rather than wind it up.

It claimed a wind-up would cost about $16.8m (£10.3m), soaking up about 15 per cent of net assets. This could more than offset the gain to investors from the eradication of the discount to net assets, currently 12 per cent.

The trust, which has a market value of £55m, admitted that most shareholders "would probably prefer, and could probably be satisfied by" a reconstruction. But it hoped they "will be persuaded by our arguments" before a meeting next month to decide the trust's future.

The fate of the trust, which is managed by Foreign & Colonial Emerging Markets, has been in question since January, when it appointed SBC Warburg to advise on the best way to improve shareholder value.

The move was prompted by investor dissatisfaction with the discount, which was then 18 per cent. It led to an announcement in May that shareholders would get a vote "which could lead to [the trust's] liquidation".

But the independent directors recommended yesterday that the trust should continue in its present form, rather than being wound up or – as many shareholders wanted – changing its investment remit to focus on larger Brazilian companies.

Peter Burnell, a director of Minorco and one of the independent directors, claimed the estimated wind-up costs had not driven the recommendation.

"The principal reason for our recommendation is that we still believe in the product we offered at the time of the trust's launch. The investment story remains consistent." But he added that the wind-up cost "undermines the pretext – ie the discount – on which the rumblings of discontent from shareholders first surfaced".

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends: Corresponding dividend	Total for year	Total last year
Argos	24 wks to June 14	627.2	(561.3)	28.1	(31.8)	8.76	(7.06)	6.1	Nov 17	5.3	-	16
Baldwin	6 mths to Apr 30	14.3	(11.4)	2.8L	(3.1L)	11.2L	(11.2L)	1.5	Oct 31	1.5	-	4
Crown Eyeglass Φ	Yr to Mar 31	11.4	(10.5)	0.48	(0.929♥)	16	(38.9)	8	Oct 17	8	12.5	12
Hampton Trust	Yr to Mar 31	30.7	(20)	6.49L♠	(9.89L♠)	6.66L	(9.91L)	nil	-	nil	nil	0.88
Hydro-Dynamic Φ	14½ mths to May 31	6.05	(-)	0.836♠	(-)	9.9	(-)	2.4	Sept 25	-	3.6	-
JKX Oil & Gas	6 mths to June 30	18.3	(4.32)	4.65	(0.924L)	1.29†	(1.77L)	-	-	-	-	-
Microvitec	6 mths to June 30	20.9	(33.8)	0.424L♠	(1.61)	0.1	(1.4)	nil	-	0.425	-	0.875
Severfield-Reeve	6 mths to June 30	52.3	(27.8)	3.89	(1.8)	13.36†	(6.92)	3.75	Oct 28	1.75	-	5.25
Sherwood Intl	6 mths to June 30	13.1	(11.8)	1.03	(0.71)	7.9	(5.6)	1.8	Oct 1	1.5	-	4.5
Shorco	6 mths to June 30	6.71	(6.52)	0.375	(0.412)	3.9	(4.4)	1.7	Oct 11	2	-	4.2
Taylor Nelson AGB	6 mths to June 30	45.1	(42.4)	5.52	(4)	1.68	(1.23)	0.5	Dec 19	0.39	-	0.8
Torday & Carlisle	6 mths to June 30	9.88	(10.7)	0.613	(0.574)	2.8†	(2.8)	-	-	-	-	-
Ultra Electronics	6 mths to June 30	71.5	(57.8)	8.66	(7.43)	9.7	(7.3)	2.4	Oct 1	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alliance Trust	6 mths to July 31	2,935	(2,434)	16.9	(16)	33.49	(31.7)	18.5	Oct 3	17	-	55.5
G'more Enterprise	Yr to June 30	314	(269.2)	0.291	(0.23)	6.48	(5.13)	0.75	Oct 17	3	5	4.25
Jupiter Split	6 mths to June 30	290.7	(263.8◆)	3.77	(5.13)	5.26	(6.83)	3.62	‡	3.26	-	6.88

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ΦAim stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ◆At December 31. ‡Already paid.

INTERNATIONAL CAPITAL MARKETS

Rate hopes underpin rise in Bunds

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

The view that German interest rates will not rise this week sent European bond markets higher yesterday and helped them to shrug off jitters over Wall Street's fall on Friday.

Thin holiday volumes helped exaggerate price movements, but the overall tone was better as the markets took the view that the Bundesbank would not raise rates for domestic reasons.

The more optimistic interest rate outlook underpinned a sharp rise in **GERMAN BUNDS**, with the September futures contract settling 32 basis points higher at 102.46.

The prevailing view last week was that the Bundesbank would signal a change in rates, perhaps by switching to a variable rate repo today. But the D-Mark's revival against the US dollar and the growing belief that a rate rise would do serious damage to the German economy have changed sentiment.

"The balance of opinion is definitely away from any expectation of a move by the Bundesbank," said Sally Wilkinson, bond economist at Daiwa Europe. But no change would offer only "modest relief" for bond markets, most observers said.

"It's a question of if rather than when" German rates will have to rise, said Huw Roberts, bond strategist at NatWest Markets. "There has been a whole host of warnings from the Bundesbank and they have quite clearly set out their views. The question is what they want to hang [a rate rise] on," he said.

Most analysts expect the Bundesbank to make no change to its repo rate today and to take no action at Thursday's council meeting. Even if the bank did decide to act, it would be via the repo – switching to a variable rate from a fixed rate.

Bunds also helped to pull other European markets higher. **ITALIAN BTPs** managed to reverse some of the sharp losses suffered late last week. The September futures contract settled 87 points higher at 135.52, while the spread over bunds stood at 105 points.

The market was given a boost by weekend comments from Helmut Kohl, the German chancellor, on Germany's commitment to a stable euro, and by the weaker US dollar.

Italy is sensitive both to minute changes in attitudes towards the single currency and to any rate increase in Germany.

Inflation data from the main Italian cities will begin emerging at the end of the week, with no change seen in the headline figure of 1.6 per cent for the month of August.

It was a similar picture in **SPANISH BONOS**, with the September futures contract settling 24 points higher at 117.04. Investors are hoping unchanged German interest rates will enable the Bank of Spain to cut its rates.

UK GILTS again outperformed other European bonds, buoyed initially by a sharp drop in the public sector borrowing requirement following a surge in VAT receipts. The September gilt contract settled $\frac{7}{16}$ higher at $115\frac{1}{16}$.

However, there was some scepticism that higher VAT receipts were a good thing. Many analysts said they were further evidence of a surge in consumer spending.

The real focus for UK gilts this week – one with a crucial bearing on determining the next move in interest rates – is data on retail sales due tomorrow.

With the Bank of England having suggested that the current cycle of interest rate rises is over for the moment, gilts are particularly sensitive to each piece of data, said Mr Roberts, at NatWest Markets. That left the market vulnerable, especially at the short end.

US TREASURY prices moved higher in light morning trading. The benchmark 30-year bond rose $\frac{7}{32}$ to $98\frac{1}{32}$, sending the yield down to 6.520 per cent.

Prices of shorter-term issues also improved, with the 10-year note increasing by $\frac{2}{32}$ to $99\frac{25}{32}$, yielding 6.197 per cent, and the two-year note up $\frac{1}{32}$ to 100⅛, yielding 5.787 per cent.

Analysts said the main factors weighing on the market were the direction of US stocks and overseas markets.

"Lingering concern over the stock market is helping bonds," said Kevin Longan, senior market economist at Dresdner Kleinwort Benson in New York.

Friday's 247-point collapse in the Dow Jones Industrial Average was followed by continued weakness in stock prices on Monday afternoon.

"Caution is the watchword, and the front end of the curve is doing better," said Kevin Flanagan, money market economist at Dean Witter Securities.

Note issues ranging up to two and three years are benefiting from their status as a "safe haven" for Treasury investors, he added. Investors are also awaiting a decision on the direction of German interest rates.

The course of US interest rates appears to be of less concern to investors as the Federal Reserve meets today. "Everybody's expecting no change in policy," said Mr Flanagan.

EMTA finds high volumes

By Edward Luce

The volume of trading in emerging market debt reached $3,000bn in the first half of 1997, driven by investor demand for higher yields and a surge in emerging market eurobond issuance.

According to a survey of 103 companies by the New York based Emerging Market Traders Association, volumes in the first half surpassed the figure for 1995 as a whole, but were roughly in line with last year's annual figure of $5,300bn in emerging market debt.

Primary eurobond issuance by emerging market borrowers totalled $47.7bn in the first half, according to EMTA and hit $15.5bn in June, a record for a single month.

This lifted turnover in emerging market eurobond trading to $651bn, equivalent to all of 1996.

Reporting first-half figures for the first time, the association said that turnover in the more traditional Brady bond market remained steadier at $1,272bn, which reflected a growing preference for uncollateralised debt instruments, including eurobonds.

The EMTA said turnover in all instruments fell slightly in the second quarter of 1997 to $1,400bn from $1,600bn in the first quarter.

The association pointed out that first-quarter figures are usually "inflated by a surge of new money into the market at the beginning of the year".

Brazil's leading Brady bond, the C-bond, remained the most actively traded emerging market instrument in the second quarter, with turnover of $155bn.

Russia overtook Venezuela to become the fourth most actively traded country.

Perpetual FRN issue from Sakura Capital

INTERNATIONAL BONDS

By Edward Luce

Sakura Capital Funding, the Cayman Islands-based subsidiary of the leading Japanese bank, attracted the limelight yesterday in a generally listless trading session with a $600m subordinated offering.

The perpetual floating rate note issue, which is callable after five years, was priced to yield 90 basis points over three-month Libor. This coupon would step up to 240 basis points over Libor if Sakura chose not to retire the FRNs in September 2002.

Merrill Lynch, joint lead manager with Sakura Finance, said that the issue would be viewed by investors as equivalent to a five-year floater, while retaining the balance sheet benefits for Sakura of being booked as undated subordinated notes. The issue will be classified as upper tier two capital under the Basle capital adequacy ratios.

"Investors will take the view that Sakura is quite likely to call the bond after five years, but if it does not they are fully compensated with the step-up," it said.

This is Sakura's second floating rate note issue after a deal last March which was priced to yield 95 basis points over Libor. The notes have since tightened to a spread of 90 basis points.

Officials said yesterday's issue was backed by offshore US buying as well as the traditional UK-based and continental European subordinated bond investors.

Sakura, along with Fuji Bank, is one of the few Japanese banks to venture out of the private placement market to issue subordinated notes overseas in public form.

Elsewhere, the markets were less than euphoric about the DM1bn issue by **DEN NORSKE**, the Norwegian bank. The three-year floater, which follows a five-year US dollar floater and a seven-year DM500m floater by the same borrower, was priced very tightly at Libor plus one basis point on re-offer, said one rival official.

Another said that the all-in cost of Libor plus just over six basis points was also too tight for the market. "We reckon they would need a spread of more like eight basis points to bring in the punters," said one official in London.

An official at UBS, sole lead manager, which had an unusually large syndicate of 21 banks co-leading the deal, agreed the bond was "aggressively" priced but said it had been well received in Germany.

However, others speculated that UBS was aiming more for the bond league tables, which are calculated on volume, than for any significant margin on the deal.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Sakura Capital Funding(a)‡	600	(a1)	100.00R	Undated	0.75R	-	Merrill/Sakura Finance
D-MARKS							
Den norske Bank‡	1bn	(b)	99.97R	Sep 2000	0.15R	-	UBS Germany
FRENCH FRANCS							
DSL Finance	2bn	5.75	99.483R	Sep 2009	0.35R	+13(l)	Cred Agricole/Deutsche
SWISS FRANCS							
Statoil	200	2.00	98.15	Sep 2002	2.00	-	SBC Warburg
ECU							
Bayerische Vereinsbank(c,s)	50	5.375	99.835R	Dec 2003	0.325R	+90(9%-03)	Morgan Stanley DW
NEW ZEALAND DOLLARS							
Ford Motor Credit Co	100	7.50	100.61	Sep 2000	1.50	-	Hambros Bank
DRACHMA							
Bayerische Hypo‡	10bn	(d)	100.00R	Sep 1999	0.10R	-	Morgan Stanley DW

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Sep 02 at par. a1) 3-mth Libor +90bp to Sep 02, then +240bp. b) 3-mth Libor flat. c) Fungible with Ecu100m. Plus 190 days accrued. Spread relates to French govt Ecu OAT. d) 3-mth Athibor −75bp. l) Over interpolated yield. s) Short 1st coupon

D&P rates India investment grade

By Edward Luce

Duff & Phelps, the US-based credit rating agency, has assigned an investment grade credit rating to the Republic of India. The BBB– rating, the agency's first assignment to India, is equivalent to India's rating of Baa3 awarded by Moody's Investors Service, but is one notch higher than the BB+ rating from Standard & Poor's.

Duff & Phelps praised India's "unblemished" debt record and its recent financial liberalisation, including the gradual move to full rupee convertibility.

However, "high fiscal deficits, infrastructural bottlenecks, slow progress on disinvestment of state enterprises and high income inequality" held the agency back from awarding a higher rating, it said.

Duff & Phelps did not comment on the timing of the rating, but confirmed it was unrelated to any sovereign bond issues.

India is one of the few large emerging markets not to have issued a eurobond, despite the fact that Indian corporates, including Reliance Industries and the Tata Group, have tapped the market this year.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.5944	−0.270	6.63	6.68	6.73
Austria		5.625	07/07	99.5000	+0.080	5.69	5.75	5.70
Belgium		6.250	03/07	103.7000	+0.080	5.73	5.78	5.62
Canada *		7.250	06/07	109.4500	+0.210	5.96	6.07	5.97
Denmark		7.000	06/07	105.5000	+0.260	6.25	6.28	6.11
France	BTAN	4.750	03/02	100.0531	+0.080	4.73	4.75	4.43
	OAT	5.500	10/07	99.6200	+0.230	5.55	5.56	5.39
Germany Bund		6.000	07/07	102.6700	+0.330	5.64	5.70	5.55
Ireland		8.000	08/06	110.5700	+0.200	6.42	6.44	6.39
Italy		6.750	02/07	101.1700	−0.010	6.58†	6.56	6.39
Japan	No 148	5.600	06/02	119.7562	−0.030	1.36	1.39	1.57
	No 182	3.000	09/05	106.7710	+0.030	2.09	2.10	2.30
Netherlands		5.750	02/07	101.2200	+0.320	5.58	5.64	5.47
Portugal		9.500	02/06	120.6800	+0.080	6.28	6.28	6.16
Spain		7.350	03/07	107.3300	+0.200	6.29	6.34	6.20
Sweden		8.000	08/07	109.7733	+0.070	6.63	6.57	6.42
UK Gilts		7.000	06/02	100–01	+4/32	6.99	7.04	7.19
		7.250	12/07	101–25	+12/32	7.00	7.10	7.08
		8.000	10/08	115–02	+14/32	7.03	7.13	7.11
US Treasury *		6.125	08/07	99–12	+15/32	6.21	6.38	6.25
		6.375	08/27	97–30	+19/32	6.53	6.66	6.57
ECU (French Govt)		5.500	04/07	97.0300	−0.320	5.91	5.97	5.68

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices. US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.80
Prime rate	8½	Two month	-	Three year	5.95
Broker loan rate	7¼	Three month	5.28	Five year	6.06
Fed.funds	5½	Six month	5.35	10-year	6.22
Fed.funds at intervention	-	One year	5.49	30-year	6.54

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 (Aug 14)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.70	129.88	+0.34	129.90	129.42	50,346	160,805
Dec	98.68	98.86	+0.34	98.84	98.48	354	11,762
Mar	98.08	98.26	+0.34	98.08	98.08	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	2.55	-	-	0.01	-	-
128	1.60	-	-	0.06	-	-
129	0.77	-	-	0.24	-	-
130	0.23	-	-	0.69	-	-
131	0.10	-	-	1.56	-	-

Est. vol. total. Calls 4,631 Puts 4,460. Previous day's open int., Calls 68,225 Puts 122,404.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.33	102.46	+0.32	102.59	102.19	109296	266176
Dec	101.40	101.61	+0.31	101.65	101.40	3294	19312

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
10200	0.54	0.49	0.73	0.91	0.08	0.88	1.12	1.30
10250	0.21	0.30	0.52	0.69	0.25	1.19	1.41	1.58
10300	0.05	0.18	0.36	0.51	0.59	1.57	1.75	1.90

Est. vol. total. Calls 10113 Puts 17331. Previous day's open int., Calls 183964 Puts 282831

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	134.80	135.52	+0.87	135.73	134.70	48153	104388
Dec	107.50	107.76	+0.78	107.50	107.50	258	5058

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
8000		27.76		0
8050		27.26		0
8100		26.76		0

Est. vol. total, Calls 2358 Puts 3256. Previous day's open int., Calls 104520 Puts 134432

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Aug 14)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.55	117.04	+0.23	117.15	116.47	49,284	86,475
Dec	100.70	100.77	+0.21	100.98	100.70	428	1,981

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-23	115-02	+0-14	115-06	114-23	44128	158950
Dec	114-18	114-22	+0-15	114-18	114-17	24	10021

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
115	0-22	0-51	1-10	1-27	0-18	1-07	1-30	1-47
116	0-04	0-28	0-49	0-53	1-00	1-48	2-05	2-19
117	0-01	0-14	0-30	0-42	1-61	2-34	2-50	2-62

Est. vol. total, Calls 3605 Puts 3424. Previous day's open int., Calls 50098 Puts 46982

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000 (Aug 14)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.70	96.86	+0.18	96.84	96.58	185	5,915

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113–25	113–31	+0–11	114–02	113–21	507,952	512,339
Dec	113–16	113–18	+0–10	113–21	113–09	6,515	60,161
Mar	113–01	112–31	+0–01	113–09	112–31	725	32,443

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	126.93			126.99	126.90	1850	n/a
Dec	126.16			126.23	126.15	1175	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Aug 18	Day's change %	Fri Aug 15	Accrued interest	xd adj. ytd		Low coupon yield Aug 18	Aug 15	Yr. ago	Medium coupon yield Aug 18	Aug 15	Yr. ago	High coupon yield Aug 18	Aug 15	Yr. ago
1 Up to 5 years (19)	119.78	0.04	119.73	2.51	6.68	5 yrs	7.00	7.04	7.17	7.08	7.11	7.23	7.13	7.15	7.31
2 5-15 years (21)	153.07	0.29	152.62	2.40	7.42	15 yrs	6.99	7.03	8.00	7.02	7.07	8.01	7.09	7.14	8.08
3 Over 15 years (5)	182.70	0.47	181.83	6.77	6.99	20 yrs	6.99	7.03	8.09	6.99	7.04	8.09	7.09	7.13	8.14
4 Irredeemables (5)	240.71	0.57	239.35	3.53	8.36	Irred.†	7.09	7.13	8.12						
5 All stocks (50)	147.57	0.25	147.21	3.20	7.20										

Index-linked							Inflation 5% Aug 18	Aug 15	Yr. ago	Inflation 10% Aug 18	Aug 15	Yr. ago
6 Up to 5 years (2)	207.00	0.06	206.87	2.32	3.03	Up to 5 yrs	3.56	3.57	2.55	2.84	2.85	1.03
7 Over 5 years (10)	200.52	0.28	199.96	0.79	4.70	Over 5 yrs	3.51	3.54	3.71	3.30	3.32	3.51
8 All stocks (12)	200.12	0.26	199.60	0.94	4.51							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 18	Aug 15	Aug 14	Aug 13	Aug 12	Yr ago	High*	Low*
Govt. Secs. (UK)	96.96	96.73	96.85	95.57	96.73	93.41	97.88	93.31
Fixed Interest	126.02	125.54	125.65	125.75	126.39	113.76	126.68	115.32

Gilt Edged Activity Indices

	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:40 pm on August 18

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅝	100⅞	+⅛	6.36
ABN Amro Bank 7¼ 05	1000	102⅞	103⅛	+⅛	6.68
African Dev Bk 7⅜ 23	500	102¾	103¼	+½	7.13
Alberta Province 7⅝ 98	1000	101⅞	102	+⅛	5.95
Spain 7¼ 03	4000	110¼	110⅜	+⅛	5.07
Volkswagen Intl Fin 7 03	1000	108	108¼	+¼	5.35
World Bank 5⅞ 03	3000	104¼	104⅜	+¼	5.06
World Bank 6⅛ 02	3000	105⅜	105½	+⅛	4.91
World Bank 7¼ 05	3000	110¼	110⅜	+¼	5.44
Abbey Natl Treasury 8 03 £	1000	102⅛	102⅜	+⅛	7.51
British Land 8⅞ 23 £	150	107⅜	107⅝	+⅛	8.25
Denmark 6¾ 98 £	800	99⅜	99½		7.41
Depfa Finance 7⅛ 03 £	500	98	98¼		7.53
EIB 8 03 £	1000	103⅛	103⅜	+⅛	7.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. [illegible]
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 8¼pc 1997‡‡		8.75	6.59	100$\frac{1}{32}$	----	107$\frac{13}{32}$	100$\frac{1}{32}$
Exch 15pc 1997		14.76	6.67	101$\frac{7}{16}$	$-\frac{1}{32}$	110¼	101$\frac{7}{16}$
Exch 9¾pc 1998		9.64	6.91	101$\frac{3}{32}$	----	104$\frac{11}{16}$	100$\frac{3}{32}$
Treas 7¼pc 1998‡‡		7.24	7.02	100⅛	----	108$\frac{13}{32}$	100$\frac{3}{32}$
Treas 15½pc '98‡‡		14.24	7.06	108$\frac{13}{32}$	$-\frac{1}{32}$	117$\frac{7}{32}$	108$\frac{11}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Conv 9½pc 2004		8.37	7.05	113$\frac{9}{16}$	+¼	114$\frac{11}{32}$	109$\frac{11}{16}$
Treas 6¾pc 2004‡‡		6.85	7.01	98½	$+\frac{5}{32}$	99$\frac{3}{16}$	94$\frac{3}{16}$
Conv 9½pc 2005		8.32	7.08	114¼	+¼	122$\frac{13}{32}$	110$\frac{7}{16}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked	(b)						
4⅝pc '98‡‡ (135.6)		-	1.94	114$\frac{11}{32}$	----	114$\frac{11}{32}$	113$\frac{13}{32}$
2½pc '99		1.78	3.06	182$\frac{11}{16}$	----	182$\frac{11}{16}$	178$\frac{1}{16}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

Other Fixed Interest

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. [illegible]

CURRENCIES AND MONEY

Stable stocks help dollar and pound

MARKETS REPORT

By Simon Kuper

The dollar and pound rose yesterday as the US and UK stock markets ended last week's plunge.

Friday's 3.1 per cent slide in the Dow Jones Industrial Index found no follow-up in London or New York yesterday. The dollar and pound also rose on hints that the Bundesbank would not increase interest rates.

Hans-Jürgen Krupp, Bundesbank council member, said late yesterday that a German rate rise now "would be highly damaging for domestic economic reasons". The speed of the D-Mark's fall was worrying, but had not created inflation.

His comments reduced fears that the Bundesbank might shift to a variable repo rate at today's securities repurchase tender. The German repo rate has been fixed at 3 per cent for just one week. The bank has hinted at a move to a variable repo, which could push rates slightly higher.

Few in the market now expect either the Bundesbank or the Federal Reserve to raise rates today, when the Fed's two-day open market committee meeting ends. Robert Lynch, currency strategist at Paribas Capital Markets in New York, said the 4 per cent rebound in the D-Mark against the dollar in the last 12 days meant that the Bundesbank no longer had to raise rates to defend its currency.

In late trading yesterday the dollar was at DM1.8245 to the D-Mark, 0.65 pfennigs above its Friday London close. The pound was at DM2.9399 to the German currency, 1.2 pfennigs above Friday's close. It was helped by high UK government debt repayment figures for July.

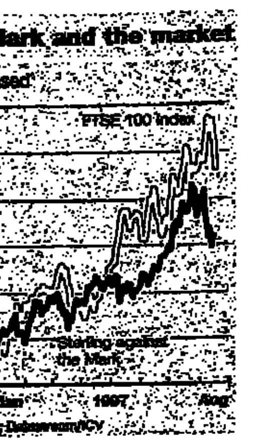
■ Pound in New York

Aug 18	—Latest—	— Prev. close —
£ spot	1.6110	1.6085
1 mth	1.6088	1.6065
3 mth	1.6050	1.6017
1 yr	1.5885	1.5870

The dollar gained against the yen after Japan's trade surplus for July emerged in line with expectations – it rose nearly 70 per cent year on year. The surplus has been growing because of the yen's fall of the last two years. However, belief is fading that the US might try talking up the yen as a way of cutting the surplus. Jeffrey Lang, deputy US trade representative, failed to scare traders when he said Washington was concerned about the surplus' upward trend. The dollar closed Y0.6 higher in London at Y117.7.

■ The Asian currency crisis just will not end. Yesterday the Indonesian rupiah fell to a record *low below 3,000* to the dollar, before recovering later to 2,970/80. The rupiah has now fallen 12 per cent since Indonesia abandoned its fluctuation band last week, and has lost more than a quarter of its value against the US currency since the start of the year. Overnight interest rates are near 100 per cent.

D-Mark and the market



Yet few forex strategists *believe the country's economic* fundamentals are bad. "I cannot say there is a rationale for the slide," admitted Carlo Daurignac, currencies analyst at Credit Agricole Indosuez in London. He said yesterday's rupiah selling was chiefly by local banks and companies seeking to hedge against future falls in *the currency*.

The Hong Kong dollar, pegged at HK$7.80 to the US dollar since 1983, remained under pressure from last week. However, Joseph Yam, chief executive of the Hong Kong monetary authority, said he was winning the battle against speculators thanks to the rise in market interest rates. He has promised to maintain the peg and to "burn" speculators with high rates. He warned local banks against funding forex speculators. All other Asian currencies pegged to the US dollar have had to devalue this summer.

The Philippine peso, one of those devalued, hit an all-time low yesterday, *breaking through the psy*chologically crucial level of 30 to the dollar.

■ OTHER CURRENCIES

Aug 18	£	$
Czech Rp	54.7699 - 54.8712	34.0080 - 34.0540
Hungary	316.496 - 316.733	196.520 - 196.570
Iran	4833.90 - 4831.50	3000.00 - 3000.00
Kuwait	0.4902 - 0.4906	0.3044 - 0.3045
Poland	5.5965 - 5.6073	3.4750 - 3.4800
Russia	9277.29 - 9284.31	5760.50 - 5762.00
U.A.E.	5.9147 - 5.9183	3.6726 - 3.6730

■ The Bank of Portugal cut interest rates again yesterday. Its fixed-rate repurchase pact, its drain rate and its emergency lending rate each fell by 20 basis points, to 5.5 per cent, 5.2 per cent and 7.2 per cent respectively. The escudo closed unchanged against the D-Mark.

■ Michael Petley, technical analyst at the ECU group in London, said the pound's recent slide against the D-Mark was over. The pound had held above support for *its upward trend at about* DM2.8900. "Medium and long term technical support for the pound looks extremely good," he said.

POUND SPOT FORWARD AGAINST THE POUND

Aug 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6560	+0.0566	468 - 651	20.6724	20.4251	20.6016	3.2	20.4889	3.2	19.9834	3.3	102.1
Belgium	(BFr)	60.6456	+0.2043	224 - 687	60.6890	59.9680	60.4656	3.6	60.0956	3.6	58.3456	3.8	101.4
Denmark	(DKr)	11.1821	+0.0321	777 - 865	11.1915	11.0637	11.1506	3.4	11.0866	3.4	10.7951	3.5	103.9
Finland	(FM)	8.7908	+0.0123	824 - 987	8.7980	8.7050	8.7652	3.5	8.7127	3.5	8.5001	3.3	81.1
France	(FFr)	9.8953	+0.0305	920 - 985	9.9064	9.7878	9.8623	4.0	9.8053	3.6	9.5298	3.7	104.1
Germany	(DM)	2.9356	+0.0081	343 - 368	2.9388	2.9020	2.9263	3.8	2.9072	3.9	2.8203	3.9	102.2
Greece	(Dr)	460.830	+1.153	506 - 154	461.371	456.361	462.613	-4.6	465.237	-3.8	473.605	-2.8	65.2
Ireland	(I£)	1.0968	-0.0047	956 - 978	1.1032	1.0951	1.0961	0.5	1.0947	0.7	1.0838	1.2	99.3
Italy	(L)	2868.11	+8.22	669 - 953	2871.48	2839.09	2868.19	0.0	2868.16	0.0	2865.56	0.1	75.8
Luxembourg	(LFr)	60.6456	+0.2043	224 - 687	60.6730	59.9680	60.4656	3.6	60.0956	3.6	58.3456	3.8	101.4
Netherlands	(Fl)	3.3057	+0.0088	044 - 070	3.3082	3.2692	3.2955	3.7	3.2746	3.8	3.1786	3.8	100.8
Norway	(NKr)	12.2308	+0.0368	261 - 354	12.2617	12.0715	12.1983	3.2	12.1373	3.1	11.8683	3.0	95.9
Portugal	(Es)	297.775	+0.93	620 - 929	298.035	294.783	297.619	0.6	297.089	0.9	293.001	1.6	92.0
Spain	(Pta)	248.183	+0.284	081 - 285	248.320	245.610	247.868	1.5	247.118	1.7	242.748	2.2	76.5
Sweden	(SKr)	12.8811	+0.0792	739 - 883	12.8896	12.7218	12.8535	2.6	12.7951	2.7	12.5386	2.7	84.4
Switzerland	(SFr)	2.4330	+0.0165	315 - 344	2.4360	2.4068	2.4221	5.4	2.3995	5.5	2.2992	5.5	104.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.3
Ecu	-	1.4939	+0.0047	930 - 947	1.4967	1.4792	1.4906	2.7	1.4834	2.8	1.4494	3.0	-
SDR†	-	1.180022	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6100	+0.0008	095 - 105	1.6146	1.6046	-	-	-	-	-	-	-
Brazil	(R$)	1.7530	+0.002	522 - 537	1.7568	1.7461	-	-	-	-	-	-	-
Canada	(C$)	2.2372	-0.0001	362 - 381	2.2455	2.2268	2.2304	3.7	2.2187	3.7	2.1658	3.2	84.6
Mexico	(New Peso)	12.5256	+0.0219	168 - 343	12.5451	12.4876	-	-	-	-	-	-	-
USA	($)	1.6109	+0.0008	105 - 113	1.6156	1.6055	1.6087	1.6	1.605	1.5	1.5884	1.4	105.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1806	+0.017	793 - 819	2.1821	2.1612	2.177	2.0	2.1686	2.2	2.1317	2.2	93.2
Hong Kong	(HK$)	12.4700	-0.0059	653 - 747	12.5088	12.4288	12.469	0.1	12.4626	0.2	12.4075	0.5	-
India	(Rs)	57.5333	+0.0464	787 - 879	57.7090	57.3370	57.7285	-4.1	58.129	-4.1	59.8066	-4.0	-
Israel	(Shk)	5.6727	+0.0219	632 - 821	-	-	-	-	-	-	-	-	-
Japan	(Y)	189.667	+1.194	556 - 778	190.100	188.220	188.647	6.5	186.622	6.4	177.637	6.3	131.8
Malaysia	(M$)	4.5065	+0.0265	013 - 116	4.5129	4.4399	4.5107	-1.1	4.5187	-1.1	4.5374	-0.7	-
New Zealand	(NZ$)	2.5028	-0.0041	008 - 047	2.5099	2.4849	2.506	-1.5	2.5096	-1.1	2.5104	-0.3	108.1
Philippines	(Peso)	48.4479	+0.4684	345 - 613	49.4494	48.1449	48.6077	-4.0	48.8572	-3.4	49.9141	-3.0	-
Saudi Arabia	(SR)	6.0421	+0.0034	402 - 440	6.0591	6.0219	6.0386	0.7	6.0301	0.8	5.9937	0.8	-
Singapore	(S$)	2.4429	+0.0012	415 - 443	2.4513	2.4261	2.4383	2.3	2.4282	2.4	2.38	2.6	-
South Africa	(R)	7.5439	-0.0089	396 - 481	7.5699	7.5145	7.6046	-9.7	7.7225	-9.5	8.1594	-8.2	-
South Korea	(Won)	1447.39	+6.39	381 - 096	1451.04	1442.65	-	-	-	-	-	-	-
Taiwan	(T$)	46.2707	+0.03	536 - 878	46.4000	46.1298	46.2541	0.4	46.2143	0.5	46.0166	0.5	-
Thailand	(Bt)	51.6294	+0.5103	360 - 227	52.2610	51.2620	51.966	-7.8	52.4276	-6.2	53.4578	-3.5	-

† Rates for Aug 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8226	+0.0285	201 - 251	12.8500	12.7147	12.7966	2.2	12.7496	2.3	12.5256	2.3	101.6
Belgium	(BFr)	37.6470	+0.107	420 - 520	37.7110	37.3060	37.572	2.4	37.4205	2.4	36.727	2.4	101.5
Denmark	(DKr)	6.9415	+0.0163	405 - 425	6.9556	6.8838	6.9298	2.0	6.9055	2.1	6.7991	2.1	103.0
Finland	(FM)	5.4569	+0.0047	532 - 606	5.4659	5.4159	5.4454	2.5	5.4218	2.6	5.3279	2.4	80.2
France	(FFr)	6.1427	+0.0157	422 - 432	6.1512	6.0936	6.1311	2.3	6.1073	2.3	5.9985	2.3	103.4
Germany	(DM)	1.8223	+0.004	220 - 226	1.8263	1.8060	1.8185	2.5	1.8107	2.6	1.7757	2.6	101.8
Greece	(Dr)	286.070	+0.565	940 - 200	286.760	283.330	287.365	-5.4	289.42	-4.7	296.57	-3.7	64.9
Ireland	(I£)	1.4690	+0.007	680 - 700	1.4720	1.4580	1.4683	0.6	1.4673	0.5	1.4677	0.1	-
Italy	(L)	1780.44	+4.79	000 - 088	1785.00	1766.90	1782.21	-1.2	1785.22	-1.1	1788.64	-0.5	75.6
Luxembourg	(LFr)	37.6470	+0.107	420 - 520	37.7110	37.3060	37.572	2.4	37.4205	2.4	36.727	2.4	101.5
Netherlands	(Fl)	2.0521	+0.0044	518 - 524	2.0564	2.0358	2.0478	2.5	2.0393	2.5	2.0016	2.5	100.8
Norway	(NKr)	7.5925	+0.0188	915 - 935	7.6245	7.5095	7.5781	2.3	7.5496	2.3	7.4379	2.0	95.4
Portugal	(Es)	184.850	+0.48	800 - 900	185.050	183.120	184.814	0.2	184.78	0.2	183.59	0.7	92.5
Spain	(Pta)	154.065	+0.095	040 - 090	154.280	152.860	154.02	0.4	153.845	0.6	152.67	0.9	75.9
Sweden	(SKr)	7.9962	+0.0449	937 - 987	7.9995	7.9133	7.9871	1.4	7.9678	1.4	7.8938	1.3	84.6
Switzerland	(SFr)	1.5103	+0.0094	098 - 108	1.5132	1.4945	1.505	4.3	1.4943	4.2	1.4488	4.1	104.8
UK	(£)	1.6109	+0.0008	105 - 113	1.6156	1.6055	1.6087	1.6	1.605	1.5	1.5884	1.4	101.9
Ecu	-	1.0784	-0.0028	780 - 787	1.0865	1.0750	1.0798	-1.6	1.0831	-1.7	1.0986	-1.9	-
SDR†	-	0.73973	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-	994 - 995	0.9995	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.0882	+0.0007	880 - 884	1.0885	1.0875	-	-	-	-	-	-	-
Canada	(C$)	1.3888	-0.0008	885 - 890	1.3907	1.3859	1.3857	2.7	1.38	2.5	1.3594	2.1	84.4
Mexico	(New Peso)	7.7755	+0.0095	720 - 790	7.7800	7.7670	7.884	-16.7	8.095	-16.4	9.0055	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3536	+0.0098	532 - 541	1.3550	1.3506	1.353	0.5	1.3512	0.7	1.3428	0.8	95.3
Hong Kong	(HK$)	7.7410	-0.0078	400 - 420	7.7450	7.7390	7.7415	-0.1	7.7424	-0.1	7.7447	0.0	-
India	(Rs)	35.7150	+0.01	900 - 400	35.7500	35.6800	35.8525	-4.6	36.1375	-4.7	37.35	-4.6	-
Israel	(Shk)	3.5214	+0.0117	164 - 264	3.5280	3.5068	-	-	-	-	-	-	-
Japan	(Y)	117.740	+0.68	700 - 780	118.000	116.940	117.225	5.2	116.225	5.1	111.925	4.9	133.1
Malaysia	(M$)	2.7975	+0.015	950 - 000	2.8010	2.7560	2.802	-1.9	2.811	-1.9	2.841	-1.6	-
New Zealand	(NZ$)	1.5536	-0.0034	528 - 545	1.5565	1.5525	1.5544	-0.6	1.5568	-0.8	1.5669	-0.9	-
Philippines	(Peso)	30.0750	+0.275	500 - 000	30.8000	29.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	+0.0001	505 - 510	3.7515	3.7502	3.7515	-0.2	3.7525	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.5165	-	160 - 170	1.5205	1.5050	1.5148	1.4	1.511	1.5	1.4915	1.6	-
South Africa	(R)	4.6830	-0.0068	815 - 845	4.6880	4.6740	4.7235	-10.4	4.803	-10.2	5.1055	-9.0	-
South Korea	(Won)	898.500	+3.5	500 - 500	901.900	895.500	-	-	-	-	-	-	-
Taiwan	(T$)	28.7235	+0.0035	200 - 270	28.7500	28.7000	28.7345	-0.5	28.7435	-0.3	28.836	-0.4	-
Thailand	(Bt)	32.0500	+0.3	000 - 000	32.4000	31.8000	32.495	-16.7	33.2	-14.4	34.43	-7.4	-

† SDR rate per $ for Aug 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 15: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 18	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 11/32	3½	3 19/32	3 19/32	3 25/32	6.00	2.50	-
France	3 7/32	3¼	3 11/32	3½	3 17/32	3.10	-	4.75
Germany	3 3/32	3⅛	3 3/16	3 3/16	3 9/32	4.50	2.50	3.00
Ireland	6¼	6⅜	6 7/16	6 9/16	6¾	-	-	6.75
Italy	6¾	6 23/32	6⅝	6 19/32	6 19/32	7.75	6.25	6.27
Netherlands	3 3/16	3 11/32	3⅜	3½	3 23/32	-	2.50	3.00
Switzerland	1 3/16	1 3/16	1 11/32	1 13/32	1¾	-	1.00	-
US	5 19/32	5 9/16	5⅝	5¾	5 29/32	-	5.00	-
Japan	⅜	¼	15/32	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5 23/32	5 25/32	5 31/32	-	-	-
US Dollar CDs	-	5.43	5.46	5.52	5.64	-	-	-
ECU Linked Ds	-	4 3/16	4 5/16	4 11/32	4 17/32	-	-	-
SDR Linked Ds	-	3 17/32	3⅝	3 23/32	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3 7/16	3 7/16 - 3 5/16	3 9/16 - 3 7/16	3 21/32 - 3 17/32	3¾ - 3⅝	3 15/16 - 3¾
Danish Krone	3 13/32 - 3¼	3 15/32 - 3 7/16	3 21/32 - 3½	3¾ - 3⅝	3 29/32 - 3¾	4 3/32 - 4
German Mark	3⅛ - 2 15/16	3 3/16 - 3 1/16	3 7/32 - 2 31/32	3 11/32 - 3 7/32	3⅜ - 3 5/16	3⅝ - 3½
Dutch Guilder	3⅜ - 3 3/16	3⅜ - 3 3/16	3⅜ - 3 9/32	3 7/16 - 3 11/32	3 9/16 - 3 7/16	3 25/32 - 3 11/16
French Franc	3 5/16 - 3 3/16	3 5/16 - 3 7/32	3 11/32 - 3 7/32	3 7/16 - 3 5/16	3 17/32 - 3 7/16	3 25/32 - 3 19/32
Portuguese Esc.	5 7/16 - 5 11/32	5½ - 5 13/32	5½ - 5 13/32	5½ - 5 13/32	5 7/16 - 5⅜	5 5/16 - 5¼
Spanish Peseta	5 23/32 - 5 13/16	5 11/16 - 5 19/32	5 9/16 - 5 15/32	5 17/32 - 5 11/32	5⅜ - 5¼	5¼ - 5 7/32
Sterling	7¼ - 7	7 5/32 - 7 3/32	7 3/16 - 6 31/32	7¼ - 7⅛	7⅜ - 7¼	7½ - 7⅜
Swiss Franc	1 7/16 - 15/16	1¼ - 1⅛	1 5/16 - 1 3/16	1 15/32 - 1 11/32	1 19/32 - 1 15/32	1 15/16 - 1 13/16
Canadian Dollar	3 5/16 - 3 3/16	3⅜ - 3¼	3 15/32 - 3 11/32	3 9/16 - 3 7/16	3 27/32 - 3 23/32	4 3/16 - 3 15/16
US Dollar	5¾ - 5⅝	5 17/32 - 5 13/32	5 9/16 - 5½	5 21/32 - 5 19/32	5 27/32 - 5 23/32	6 1/16 - 5 29/32
Italian Lira	7 13/32 - 6 31/32	6⅞ - 6 23/32	7 - 6⅞	6 15/16 - 6 27/32	6⅞ - 6 25/32	6 23/32 - 6⅝
Japanese Yen	½ - 15/32	17/32 - ½	17/32 - ½	17/32 - 7/16	9/16 - 7/16	⅝ - ½
Asian $Sing	4 - 3¾	4¼ - 4	4⅛ - 4	3⅞ - 3¾	4 - 3⅞	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (Aug 14)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.50	96.51	+0.02	96.51	96.50	6,597	63,914
Dec	96.30	96.32	+0.02	96.33	96.32	6,491	43,209
Mar	96.19	96.21	+0.02	96.23	96.21	4,350	30,498

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.64	96.65	+0.03	96.66	96.63	19962	256441
Dec	96.45	96.48	+0.06	96.51	96.44	33990	300262
Mar	96.32	96.34	+0.06	96.38	96.30	20726	289883
Jun	96.10	96.13	+0.06	96.18	96.10	23829	209336

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug		96.80	-0.02			0	540
Sep		96.74	+0.03			0	348
Oct		96.67	+0.03			0	265
Nov		96.63	+0.03			0	60

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.20	93.21	+0.02	93.22	93.19	6469	101373
Dec	93.52	93.53	+0.04	93.55	93.49	9485	101341
Mar	93.81	93.84	+0.04	93.84	93.79	3619	54962
Jun	94.07	94.10	+0.04	94.12	94.07	2264	43572

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.42	98.42	+0	98.47	98.40	3395	61400
Dec	98.19	98.17	-0.02	98.21	98.13	6409	54509
Mar	98.05	98.03	-0.02	98.06	98.02	1650	27179
Jun	97.88	97.85	-0.03	97.88	97.81	1402	7758

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.42	-			0	n/a
Dec		99.37	+0.01			0	n/a
Mar		99.26	+0.01			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.61	95.61	+0.02	95.63	95.61	833	10766
Dec	95.52	95.53	+0.03	95.53	95.51	537	9401
Mar	95.48	95.49	+0.03	95.50	95.48	48	6074
Jun	95.41	95.43	+0.02	95.44	95.41	40	3522

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.24	0.59	0.92	0.03	0.06	0.08
9325	0.05	0.38	0.71	0.09	0.10	0.12
9350	0.01	0.22	0.52	0.30	0.19	0.18

Est. vol. total, Calls 1048 Puts 203. Previous day's open int., Calls 135842 Puts 63399

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.32	4.841	1.808	4729	5.451	20.17	491.0	409.2	21.24	4.012	1.649	3.689	2.656	312.7	2.483
Denmark	(DKr)	54.23	10	8.849	2.625	0.981	2565	2.956	10.94	266.3	221.9	11.52	2.176	0.894	2.001	1.441	169.6	1.336
France	(FFr)	61.29	11.30	10	2.967	1.108	2898	3.341	12.36	300.9	250.8	13.02	2.459	1.011	2.261	1.628	191.7	1.510
Germany	(DM)	20.66	3.809	3.371	1	0.374	977.0	1.126	4.166	101.4	84.54	4.388	0.829	0.341	0.762	0.549	64.61	0.509
Ireland	(I£)	55.30	10.20	9.024	2.677	1	2615	3.015	11.15	271.5	226.3	11.75	2.219	0.912	2.040	1.469	173.0	1.362
Italy	(L)	2.114	0.390	0.345	0.102	0.038	100	0.115	0.426	10.38	8.653	0.449	0.085	0.035	0.078	0.056	6.613	0.052
Netherlands	(Fl)	18.35	3.383	2.993	0.888	0.332	867.6	1	3.700	90.06	75.08	3.897	0.736	0.303	0.677	0.487	57.38	0.452
Norway	(NKr)	49.58	9.143	8.090	2.400	0.897	2345	2.703	10	243.5	202.9	10.53	1.989	0.818	1.829	1.317	155.1	1.221
Portugal	(Es)	20.37	3.755	3.323	0.986	0.368	963.2	1.110	4.107	100	83.35	4.326	0.817	0.336	0.751	0.541	63.69	0.502
Spain	(Pta)	24.44	4.506	3.987	1.183	0.442	1156	1.332	4.928	120.0	100	5.190	0.980	0.403	0.901	0.649	76.42	0.602
Sweden	(SKr)	47.08	8.681	7.682	2.279	0.851	2227	2.566	9.495	231.2	192.7	10	1.889	0.776	1.737	1.251	147.2	1.160
Switzerland	(SFr)	24.93	4.596	4.067	1.207	0.451	1179	1.359	5.027	122.4	102.0	5.294	1	0.411	0.920	0.662	77.96	0.614
UK	(£)	60.65	11.18	9.895	2.936	1.097	2868	3.306	12.23	297.8	248.2	12.88	2.433	1	2.237	1.611	189.7	1.494
Canada	(C$)	27.11	4.998	4.423	1.312	0.490	1282	1.478	5.467	133.1	110.9	5.758	1.087	0.447	1	0.720	84.78	0.668
USA	($)	37.65	6.942	6.143	1.822	0.681	1780	2.052	7.593	184.9	154.1	7.996	1.510	0.621	1.389	1	117.7	0.927
Japan	(Y)	31.97	5.896	5.217	1.548	0.578	1512	1.743	6.449	157.0	130.9	6.791	1.283	0.527	1.180	0.849	100	0.788
Ecu	-	40.60	7.486	6.624	1.965	0.734	1920	2.213	8.188	199.3	166.1	8.623	1.629	0.669	1.496	1.078	127.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5521	0.5491	+0.0003	0.5548	0.5489	48,843	102,982
Dec	0.5490	0.5523	+0.0003	0.5540	0.5490	742	4,258
Mar	0.5558	0.5559	+0.0008	0.5562	0.5559	240	1,103

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8579	0.8504	-0.0015	0.8589	0.8504	40,375	79,268
Dec	0.8640	0.8622	-0.0008	0.8641	0.8619	258	2,399
Mar	-	0.8746	-	-	-	23	530

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6687	0.6638	-0.0018	0.6712	0.6628	19,581	53,678
Dec	0.6730	0.6704	-0.0018	0.6730	0.6697	180	2,409
Mar	-	0.6825	-	-	0.6775	7	1,065

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6080	1.6056	+0.0002	1.6140	1.6036	11,516	49,162
Dec	1.5980	1.6000	+0.0002	1.6000	1.5980	171	1,066
Mar	-	1.5936	-	-	1.5920	1	209

UK INTEREST RATES

LONDON MONEY RATES

Aug 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6¾	7 3/16 - 7 1/16	7 5/32 - 7 3/32	7¼ - 7⅛	7⅜ - 7¼	7 9/16 - 7 7/16
Sterling CDs	-	-	7 3/32 - 6 31/32	7 3/16 - 7 1/16	7 5/16 - 7⅛	7 15/32 - 7 9/32
Treasury Bills	-	-	6 29/32 - 6 13/16	7 - 6⅞	-	-
Bank Bills	-	-	7 - 6 15/16	7 1/16 - 6¾	7 3/16 - 7 1/16	-
Local authority deps.	6⅞ - 6⅝	6⅞ - 6⅝	7 3/32 - 7 1/32	7 5/32 - 7 3/32	7¼ - 7 3/16	7 7/16 - 7⅜
Discount Market deps	6⅞ - 6¼	6⅞ - 6¾	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 15, 6.7810pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.77	92.76	-0.01	92.78	92.75	10823	109918
Dec	92.64	92.63	-0.01	92.66	92.63	9489	121202
Mar	92.61	92.59	-0.01	92.62	92.58	6613	99385
Jun	92.62	92.59	-0.01	92.63	92.58	4962	69130
Sep	92.65	92.62	-0.01	92.65	92.62	1844	55068

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.05	0.07	0.10	0.04	0.19	0.28
9300	0	0.02	0.04	0.24	0.39	0.45
9325	0	0	0.01	0.49	0.62	0.67

Est. vol. total, Calls 2502 Puts 2485. Previous day's open int., Calls 194691 Puts 207727

EMS EUROPEAN CURRENCY UNIT RATES

Aug 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.90343	-0.00021	0.84	2.05	-6
Ireland	0.798709	0.738442	-0.003488	-7.55	11.30	51
Italy	1906.48	1927.39	+1.47	1.10	1.79	-8
Portugal	197.398	200.062	+0.342	1.35	1.53	-9
Spain	163.826	166.695	+0.14	1.75	1.13	-12
Denmark	7.34555	7.51168	+0.00771	2.26	0.63	-15
Netherlands	2.16979	2.22080	+0.00157	2.35	0.54	-17
Germany	1.92573	1.97214	+0.00208	2.41	0.48	-24
Austria	13.5485	13.8765	+0.0141	2.42	0.47	-18
Belgium	39.7191	40.7289	+0.0449	2.54	0.35	-19
France	6.45863	6.64615	+0.00488	2.90	0.00	-24
NON ERM MEMBERS						
Greece	295.269	309.727	+0.226	4.90	-1.90	-
UK	0.793103	0.674136	-0.003788	-15.00	21.06	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.570	-	-	-	0.13	0.60	1.17
1.580	-	3.17	-	0.13	0.85	1.50
1.590	1.53	2.51	3.09	0.14	1.13	1.89

Previous day's vol., Calls 323 Puts 3,728 . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.535	-	1.64	1.91	0.01	0.19	0.37
0.540	0.87	1.27	1.57	0.01	0.30	0.49
0.545	0.38	0.94	1.26	0.01	0.45	0.68

Previous day's vol., Calls 209 Puts n/a . Prev. day's open int., Calls 324 Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.30	+0.02	94.32	94.28	43,316	495,748
Nov	94.09	94.11	-	94.13	94.09	66,945	336,998
Dec	94.15	94.17	+0.03	94.19	94.14	71,632	474,269

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.95	94.96	+0.04	94.96	94.94	690	7,510
Dec	94.86	94.87	+0.03	94.88	94.87	127	2,232
Mar	94.83	94.83	+0.05	94.84	94.83	159	709

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9625	0.40	0.41	0.27	0.29	0	0.01	0.04	0.06
9650	0.15	0.17	0.10	0.13	0	0.02	0.12	0.15
9675	0	0.02	0.02	0.03	0.10	0.12	0.29	0.30
9700	0	0	0	0.01	0.35	0.35	0.52	0.53
9725	0	0	0	0	0.60	0.60	0.77	0.77

Est. vol. total, Calls 10269 Puts 2000. Previous day's open int., Calls 360691 Puts 271215

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.06	0.07	0.10	0.14	0.40	0.57
9875	0.01	0.03	0.05	0.34	0.61	0.77

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4567 Puts 3655

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	7.50	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Western Trust	8.50
Bank of Scotland	7.00	C. Hoare & Co	7.00	Whiteaway Laidlaw	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00	Yorkshire Bank	7.00
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	● Members of London Investment Banking Association	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00	* In administration	
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

COMMODITIES AND AGRICULTURE

Restarts seen at aluminium smelters

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

The squeeze in the London Metal Exchange's aluminium market is encouraging producers to restart smelting capacity that has been shut down for five years, says Ted Arnold, analyst at Merrill Lynch. The industry has about 800,000 tonnes of annual capacity, or roughly 4 per cent of the global total, waiting to be reactivated when prices are right.

Writing in Merrill's latest Commodity Market Trends publication, Mr Arnold suggests: "The squeeze and price strength, and the very much larger turnover associated with the rally, has allowed some producers to lock in prices of $1,640 to $1,650 a tonne for 1998 and 1999. We expect to see some big capacity restarts in early 1998 as a result."

The premium for aluminium for immediate delivery on the LME, compared with the price of three-month metal, increased yesterday to $70 a tonne, up from $33 on Friday.

Traders suggested the squeeze might attract 30,000 to 40,000 tonnes of aluminium to LME warehouses this week. The exchange said yesterday that stocks had risen by 6,650 tonnes to 638,500 tonnes.

In contrast, the squeeze in the copper market has weakened considerably and the premium for immediate delivery has been eliminated. The price of copper for immediate delivery fell by nearly 4 per cent yesterday to $2,160 a tonne while three-month copper was at $2,163 a tonne. In the last two trading days cash copper prices have fallen by 6 per cent.

Crude oil prices fell yesterday as one of the market's main props in recent weeks – concerns about gasoline supplies in the US – began to recede.

The price of Brent Blend for October delivery was down about 20 cents to $18.79 a barrel in late trading on London's International Petroleum Exchange.

A combination of the approaching end of the summer holiday season in the US and news of the start-up of an east coast refinery that had been out of action, helped take the steam out of the markets.

However, many traders believe supply concerns may keep the market from falling steeply in spite of the increasing supply of Iraqi crude oil under the resumed oil-for-food programme.

The first shipment from Iraq's Gulf port of Mina al-Bakr was being readied yesterday to supplement exports from Turkey's Mediterranean terminal at Ceyhan.

Meanwhile, the Middle East Economic Survey yesterday estimated that Opec output in July was up only 60,000 barrels a day, to 26.4m b/d. But the resumed Iraqi exports could push the August figure up sharply, the newsletter said.

Photography boosts silver

By Kenneth Gooding, Mining Correspondent

Happy snappers in China and Russia are helping to boost photographic demand for silver, according to a mid-year industry outlook produced for the Washington based Silver Institute.

It suggests strong growth in amateur photography will push photographic demand for silver this year to 233m troy ounces, 3 per cent ahead of last year's level. In 1996 photographic demand for silver rose by a modest 1.4 per cent to 226m ounces.

Peter Krause, the consultant who completed the survey for the institute, said amateur photography was growing fast in China and Russia as domestic processing arrangements improved.

Film usage would grow at 11 per cent this year in both countries, and China's growth could continue at an annual 5-10 per cent for five to 10 years.

Photography is one of the "three pillars of demand" on which silver consumption depends. The others are jewellery and silverware, and industrial and decorative. Each accounts for about 200m ounces of annual demand.

Mr Krause pointed out that the net amount of new silver needed by the photographic industry was not increasing at the pace of total demand, because the industry was recycling much more of the metal.

He said his last estimate of silver reclaimed from photographic scrap worldwide, made in 1995, was 153m ounces.

In addition, the industry was using as little metal as possible. For example, in the past 15 years the amount of silver used in X-ray film had been cut by half.

Botswana diamond expansion on fast track

If a shortage of gem diamonds develops at the beginning of the next century, as some believe it will, Botswana will be one of the main beneficiaries.

Diamonds already account for three-quarters of Botswana's export earnings, one-third of its gross domestic product and 50 per cent of government revenues. All this is generated by Debswana, a company jointly owned by the government and De Beers of South Africa.

Debswana is the world's biggest rough (or uncut) diamond producer in value terms but it intends to become even bigger. It is investing 1.4bn pula (US$410m) to expand its Orapa mine, the biggest capital project ever seen in Botswana.

A feasibility study for the expansion was completed as long ago as 1994, but the scheme was put on hold because of weakness in the diamond market. The go-ahead was eventually given last year and, in order to make up for lost time, the project has been put on a "fast track".

Approval for the project coincided with the signing of another five-year marketing contract between Debswana and De Beers' UK-based Central Selling Organisation, which dominates world trade in rough diamonds. The government also extended Debswana's mining lease until 2017.

Debswana hopes the Orapa expansion will double the mine's annual output to 12m carats (one carat is one-fifth of one gramme) as early as January 2000.

This would take Debswana's total annual production to at least 24m carats.

The company has been continuously lifting output for about 30 years. Last year production increased by 4.5 per cent to 17.7m carats worth about US$1.3bn and Debswana expects another rise this year to 18.5m carats.

Extra output this year will result from a switch from six to seven days a week working. This was at first resisted by the unions but now, according to Derrick Moore, general manager of the Jwaneng mine: "Employees love it. It gives them more money and more time off."

Jwaneng, for the time being the biggest mine in the group, is widely believed to be the richest diamond mine in the world. Its output was expanded by one third by a 300m pula (worth $120m at the time) project completed in 1995.

Mr Moore says: "Jwaneng's output has been increasing almost continuously since it came into production [in 1982]. Now is a time to consolidate." He says Jwaneng will instead concentrate on cutting costs – by 10 per cent in the five years from 1995.

Seven-day working will help a great deal. It will give Jwaneng a 14 per cent increase in carats produced this year – from 11m in 1996 – and boost productivity as the mine and plant will shut down for only 13 days a year for maintenance.

Orapa, which began production in 1971, last year produced 5.4m carats. Once the expansion is finished, production costs will fall rapidly because output will be doubled with only 200 more employees, compared with the present 2,560 and only a 20 per cent rise in overheads.

A new treatment plant capable of handling 17.8m tonnes of ore a year will be included in the project, some 17 stories high and destined to be the tallest building in Botswana.

Dave Porter, head of the so-called "Orapa 2000" project team, admits that completing the expansion by January 2000 is a tough target. If problems occur, they will probably be associated with the availability of construction capacity in southern Africa.

"I feel it might be reaching its limits as there are other big projects in the pipeline," he says.

Orapa's ore goes at least 210 metres deep and this will take another 30 years to mine. At 210 metres, the ore body splits into two and Debswana estimates there is enough at deeper levels to keep an underground mine occupied for 25 years. Mr Porter says: "Orapa is a young mine with a long life ahead of it."

There is also the possibility that the mine might be expanded again, should market conditions require it.

The idea of a gem diamond shortage is gaining credibility. James Picton, of Standard Equities, the Johannesburg stockbroker, suggested at the Financial Times Diamond Conference last October that shortages might develop by 2000 because stocks in Russia, one of the world's big producers, might run out in 1998.

Julian Ogilvie Thompson, De Beers' chairman, said this year the group has contingency plans in case of a shortage after 2000, even though new production will be building up in Canada's Northwest Territories, as well as in Botswana.

Mr Ogilvie Thompson said: "We have been looking at where we could increase production if necessary. We are doing some medium-term planning."

Kenneth Gooding

Kenneth Gooding

Derrick Moore, general manager of Jwaneng, considered the world's richest diamond mine

IPE natural gas futures catch on

By Robert Corzine

The new natural gas futures contract on London's International Petroleum Exchange is continuing to attract growing interest, according to IPE officials.

The number of contracts yet to expire has reached a record 6,210 lots. That represents 190m therms, or more than twice the daily level of UK gas production. Trading volumes so far this month have averaged 330 lots, well up on July's 220 lots a day.

IPE officials say they have recently added safeguards to the screen-based system to prevent the human error which has led to several disputed trades. They have also removed a feature which allowed users of the system to know the identity of their opposite number when a trade was completed. IPE officials said traders had asked for greater anonymity.

The exchange is also working on supplementing the present monthly contract with a quarterly option. This would allow users of the over-the-counter gas market, which deals in quarterly contracts, to use the IPE contract as a hedge.

The IPE is hoping the expansion of competition into the domestic gas market will attract even greater use of the contract. About 20 companies are regular traders, and although most are involved in the physical gas market, exchange officials say there is some demand from speculative investors.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1740-50	1675-80
Previous	1734-35	1701-02
High/low		1680/1651
AM Official	1703-5	1683-4
Kerb close		1677-8
Open int.	292,897	
Total daily turnover	153,553	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1475-85	1502-7
Previous	1485-90	1515-20
High/low		1505/1495
AM Official	1470-75	1495-5.5
Kerb close		1500-10
Open int.	5,496	
Total daily turnover	1,891	

■ LEAD ($ per tonne)

Close	596.5-7.5	610-11
Previous	605-06	616-17
High/low		613/605
AM Official	597-7.5	611-2
Kerb close		609-10
Open int.	36,088	
Total daily turnover	11,983	

■ NICKEL ($ per tonne)

Close	6580-85	6685-90
Previous	6565-70	6660-70
High/low	6640	6710/6580
AM Official	6555-60	6680-85
Kerb close		6670-75
Open int.	55,227	
Total daily turnover	16,618	

■ TIN ($ per tonne)

Close	5325-30	5378-80
Previous	5365-75	5410-20
High/low		5400/5360
AM Official	5310-15	5355-60
Kerb close		5370-75
Open int.	15,800	
Total daily turnover	3,471	

■ ZINC, special high grade ($ per tonne)

Close	1630-33	1491-3
Previous	1681-84	1526-28
High/low	1675/1670	1513/1480
AM Official	1673-4	1511-2
Kerb close		1492-3
Open int.	92,091	
Total daily turnover	32,871	

■ COPPER, grade A ($ per tonne)

Close	2158-60	2152-3
Previous	2246-48	2248-50
High/low	2170/2166	2178/2153
AM Official	2169-70	2174-5
Kerb close		2161-2
Open int.	140,931	
Total daily turnover	103,559	

■ LME AM Official £/$ rate: 1.6070
LME Closing £/$ rate: 1.6105

Spot: 1.6093 3 mths: 1.6038 6 mths: 1.5980 9 mths: 1.5927

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	96.50	-2.90	99.30	96.50	295	1,865
Sep	96.70	-3.30	100.00	96.45	12,984	20,702
Oct	96.90	-3.10	99.30	96.90	220	1,708
Nov	96.80	-2.95	99.00	97.80	53	1,437
Dec	96.80	-2.80	99.40	96.65	4,159	10,144
Jan	97.10	-2.40	98.60	97.30	40	698
Total					18,407	45,411

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	322.60-323.10		
Opening	326.40-326.70		
Morning fix	326.05	202.302	489.238
Afternoon fix	322.60	200.597	487.836
Day's High	326.50-326.80		
Day's Low	322.50-322.80		
Previous close	324.30-324.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.69	6 months	3.28
2 months	3.14	12 months	3.46
3 months	3.21		

Silver Fix	p/troy oz.	US cts equiv.
Spot	281.60	452.50
3 months	285.60	457.25
6 months	289.85	462.45
1 year	298.55	473.15

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	198-200
Maple Leaf	-	-
New Sovereign	75-77	46-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	321.1	-4.6	325.5	321.0	282	552
Sep	321.8	-4.6	-	-	1	2
Oct	322.9	-4.7	327.5	322.6	700	15,675
Dec	324.7	-4.8	330.9	324.5	32,224	119.5k
Feb	326.4	-4.9	331.0	327.2	1,630	14,102
Apr	328.2	-5.0	330.2	330.0	5	5,342
Total					35,750	205,688

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	416.4	-11.1	425.0	412.5	2,160	11,505
Jan	408.9	-10.6	415.0	408.0	14	2,593
Apr	403.4	-10.6	410.0	410.0	2	424
Total					2,176	14,523

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	203.50	-1.80	205.00	200.20	1,278	2,934
Dec	200.00	-0.30	201.00	196.50	851	1,745
Mar	196.50	+2.20	196.50	193.50	-	136
Jun	196.00	+3.20	-	-	-	107
Total					2,130	4,922

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	449.2	-5.9	449.0	446.0	-	-
Sep	450.2	-5.8	457.0	447.0	20,118	48,213
Dec	456.8	-5.8	465.0	453.5	3,687	23,145
Jan	458.4	-5.8	460.0	460.0	-	20
Mar	463.3	-5.8	467.0	460.0	32	10,651
May	467.4	-5.8	470.0	470.0	131	3,072
Total					23,995	92,664

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.89	-0.18	20.05	19.67	42,677	49,195
Oct	20.11	-0.15	20.17	19.92	36,867	95,564
Nov	20.15	-0.16	20.26	20.05	12,887	42,371
Dec	20.27	-0.09	20.29	20.10	8,161	50,440
Jan	20.20	-0.16	20.25	20.15	888	31,000
Feb	20.22	-0.14	20.25	20.22	316	14,812
Total					104,717	442,160

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	18.84	-0.15	18.88	18.71	9,187	88,706
Nov	18.97	-0.15	19.00	18.86	2,088	16,842
Dec	19.08	-0.13	19.11	19.01	741	19,876
Jan	19.06	-0.17	19.09	19.06	722	15,708
Feb	19.01	-0.17	19.06	19.00	207	6,974
Mar	18.99	-0.12	18.99	18.93	707	2,525
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	54.90	-0.35	55.15	54.35	9,790	32,879
Oct	55.80	-0.30	56.00	55.25	4,779	31,682
Nov	56.65	-0.30	56.80	56.20	1,314	18,723
Dec	57.45	-0.30	57.70	57.05	1,839	20,128
Jan	58.05	-0.30	58.30	57.70	505	15,407
Feb	58.20	-0.20	58.45	57.85	283	8,148
Total					145,180	18,714

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	169.50	-1.75	170.25	168.50	5,644	26,009
Oct	171.50	-1.50	171.75	170.50	1,309	14,515
Nov	173.25	-1.25	173.25	172.25	763	7,107
Dec	175.00	-1.00	175.00	174.00	547	13,766
Jan	175.50	-1.00	175.00	174.75	85	8,073
Feb	175.00	-0.75	174.25	174.25	25	4,989
Total					8,373	82,973

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	9.000	+0.080	9.000	9.000	25	605
Oct	10.770	+0.020	10.770	10.750	75	1,220
Total					200	6,305

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.425	-0.007	2.470	2.405	22,797	42,091
Oct	2.435	-0.029	2.510	2.410	11,662	41,611
Nov	2.580	-0.014	2.630	2.580	3,422	16,343
Dec	2.710	+0.010	2.745	2.680	2,872	18,554
Jan	2.720	+0.010	2.780	2.690	2,370	18,330
Feb	2.550	+0.005	2.580	2.535	1,339	13,745
Total					47,077	219,742

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	64.60	-2.21	66.81	64.05	20,979	36,708
Oct	58.70	-0.64	60.05	58.90	7,127	25,719
Nov	57.65	-0.57	57.80	57.40	1,578	10,780
Dec	57.10	-0.44	57.20	56.85	9,615	11,116
Jan	57.10	-0.39	57.20	56.90	3,698	10,001
Feb	57.50	-0.34	57.50	57.50	7	3,543
Total					31,484	196,583

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	85.50	+1.00	85.50	85.25	25	191
Nov	88.50	+1.00	89.00	88.00	205	3,993
Jan	90.50	+1.00	91.00	90.10	135	2,682
Mar	92.50	+1.00	93.00	92.25	68	1,784
May	94.50	+1.00	95.00	94.25	25	945
Jul	96.50	+2.00	-	-	-	38
Total					458	9,855

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	357.50	+3.50	359.50	353.00	5,584	24,945
Dec	372.75	+3.25	375.00	367.50	10,784	54,695
Mar	384.75	+3.00	386.00	381.00	1,253	16,014
May	387.50	+0.50	389.50	385.50	118	1,583
Jul	386.00	+2.50	388.00	383.00	1,084	6,629
Dec	396.00	-	-	-	-	2
Total					18,823	103,989

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	260.75	+0.75	261.00	256.00	10,252	38,836
Dec	263.50	+1	264.25	258.25	30,946	162,580
Mar	271.75	+1	272.25	266.25	3,591	38,554
May	276.75	+1.25	276.75	274.00	1,019	10,048
Jul	279.75	+1.5	279.75	277.25	2,109	16,524
Sep	262.00	+4	262.50	260.50	11	1,585
Total					48,087	276,504

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	79.25	+1.00	79.25	79.25	15	143
Nov	82.25	+1.00	82.50	82.50	5	991
Jan	84.25	+0.90	-	-	-	421
Mar	86.25	+1.90	-	-	-	268
May	87.75	+0.90	-	-	-	19
Total					20	1,842

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	785.50	-6.25	797.00	775.00	4,577	2,877
Sep	650.75	-5.25	655.00	646.00	5,821	15,165
Nov	608.00	-3.25	611.00	602.00	27,201	81,671
Jan	611.25	-3	614.50	607.75	1,624	17,001
Mar	622.25	-2.5	629.00	614.25	1,589	6,188
May	631.00	+1.25	628.00	624.50	1,111	5,177
Total					42,748	133,578

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	22.18	-0.19	22.32	22.16	442	612
Sep	22.26	-0.22	22.44	22.19	4,056	19,447
Oct	22.45	-0.2	22.62	22.38	2,800	14,631
Dec	22.78	-0.18	22.95	22.68	13,979	46,122
Jan	22.96	-0.2	22.98	22.89	433	7,622
Mar	23.21	-0.24	23.35	23.13	384	5,260
Total					22,581	98,362

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	263.2	+1.7	263.5	259.0	3,038	5,256
Sep	230.4	-0.4	230.8	227.8	6,621	25,445
Oct	207.3	-0.9	208.0	205.5	3,001	15,990
Dec	198.7	-0.6	199.3	197.0	6,623	41,310
Jan	195.3	-0.8	195.8	194.2	716	6,454
Mar	191.8	-0.2	193.0	190.8	943	8,412
Total					21,626	109,557

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	6
Mar	113.0	-4.0	-	-	-	-
Apr	129.0	-4.0	135.0	125.0	132	1,323
May	139.0	-4.0	-	-	-	2
Jun	149.0	-4.0	-	-	-	-
Total					132	1,336

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1300	-17	1305	1300	31	750
Sep	1370	-20	1370	1370	11	605
Oct	1475	-20	-	-	-	1,527
Jan	1500	-5	1500	1500	1	250
Total					43	3,142

	Close	Prev
BFI	1292	1293

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	543.00	+2.00	543.00	540.00	11	213
Dec	562.50	+3.50	562.50	560.00	11	125
Total					19	347

FUTURES DATA
All futures data supplied by CMS.

Tea
There has been strong general demand for tea, Thompson Lloyd & Ewart reports. Landed new season Assams sold well, with prices following quality up to 213 pence. East Africans met good competition at fully firm rates, particularly Dusts, which often depreciated. Offshore there was good enquiry at dearer levels. Quotations for this sale: Landed: best available 185–213p; good 168–180p; good medium 160–168p; medium 145–160p; low medium 110–130p. The highest price realised this week was 213p for an Assam PF.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1020	+18	1021	998	491	19,853
Dec	1050	+19	1050	1027	2,576	42,165
Mar	1070	+16	1070	1054	634	50,294
May	1087	+15	1082	1070	43	22,132
Jul	1102	+15	1096	1095	25	7,608
Sep	1119	+16	1114	1113	10	10,952
Total					4,349	175,390

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1543	+57	1548	1495	4,606	2,464
Dec	1563	+51	1569	1528	5,604	38,315
Mar	1591	+44	1597	1558	601	25,686
May	1612	+44	1606	1581	187	12,290
Jul	1632	+44	1638	1626	161	2,462
Sep	1654	+44	-	1610	200	3,901
Total					11,370	98,429

■ COCOA (ICCO) (SDR's/tonne)

Aug 15	Price	Prev. day
Daily	1194.16	1162.42

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1461	-26	1470	1430	1,970	14,139
Nov	1483	-21	1490	1445	2,227	15,949
Jan	1470	-18	1475	1435	616	6,809
Mar	1450	-23	1455	1422	57	1,792
May	1440	-6	1445	1399	45	233
Jul	1435	-6	-	-	-	32
Total					4,920	38,978

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	180.20	+2.25	181.00	163.25	2,770	5,372
Dec	162.95	+1.10	164.00	158.50	2,797	8,469
Mar	147.00	+0.90	147.00	144.00	384	3,884
May	141.50	+0.90	141.00	139.00	37	1,159
Jul	137.00	+0.40	136.50	134.40	9	804
Sep	132.50	-0.10	133.00	132.00	3	289
Total					5,997	20,058

■ COFFEE (ICO) (US cents/pound)

Aug 15		Prev. day
Comp. daily	128.13	131.13
15 day average	137.45	137.88

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	326.4	-2.2	328.4	326.0	406	14,134
Dec	323.7	-1.7	325.5	324.0	28	6,442
Mar	326.0	-2.1	327.5	326.1	291	8,007
May	323.6	-0.8	324.0	323.5	12	1,851
Aug	319.4	-3.2	322.5	322.5	10	924
Oct	317.1	+0.3	317.9	317.3	26	2,170
Total					773	33,635

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.82	-0.04	11.89	11.72	19,116	99,510
Mar	12.00	-0.05	12.02	11.93	12,197	64,483
May	11.94	-0.06	11.97	11.88	2,386	14,554
Jul	11.85	-0.05	11.86	11.80	729	9,094
Oct	11.85	-0.02	11.87	11.80	1,212	5,972
Mar	11.79	-0.01	11.75	11.75	27	1,182
Total					35,867	194,924

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.80	-0.88	74.50	73.50	346	9,971
Dec	73.78	-0.80	74.50	73.50	2,337	41,744
Mar	75.00	-0.80	75.75	74.80	187	12,099
May	75.72	-0.68	76.05	75.55	389	4,401
Jul	76.37	-0.56	76.90	76.35	318	3,933
Oct	75.00	-0.20	75.10	75.00	11	666
Total					3,892	79,815

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	67.20	-1.70	70.00	66.85	6,526	14,137
Nov	68.80	-2.30	72.00	68.50	4,583	11,324
Jan	71.70	-2.20	74.70	71.50	1,850	5,301
Mar	74.70	-1.90	77.30	74.50	561	3,493
May	77.50	-1.35	80.00	77.50	76	883
Jul	80.00	-1.75	81.00	80.00	3	430
Total					13,623	35,783

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 18	Aug 15	month ago	year ago
1894.5	1910.5	1897.3	1948.0

■ CRB Futures (Base: 1967 = 100)

Aug 15	Aug 14	month ago	year ago
239.13	240.99		

■ GSCI Spot (Base: 1970 = 100)

Aug 15	Aug 14	month ago	year ago
193.85	194.52	184.99	199.81

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+6,650	to	638,500
Aluminium alloy	-20	to	54,980
Copper	+3,725	to	284,800
Lead	-200	to	118,725
Nickel	+132	to	57,828
Zinc	-3,125	to	382,875
Tin	-30	to	11,115

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	66.425	-0.8	67.200	66.200	2,232	5,018
Oct	68.700	-1.5	69.900	68.700	6,627	50,892
Dec	70.775	-1.4	71.550	70.675	2,046	21,165
Feb	72.750	-0.825	73.225	72.450	607	11,219
Apr	74.750	-0.5	75.000	74.500	321	4,815
Jun	71.500	-0.425	71.800	71.350	86	2,789
Total					11,972	96,320

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	69.850	-1.175	70.750	69.575	4,196	17,160
Dec	66.550	-1.15	67.700	66.400	2,123	6,415
Feb	65.600	-0.925	66.750	65.500	349	2,688
Apr	62.125	-0.45	62.700	62.100	114	1,585
Jun	66.700	-0.4	66.950	66.700	130	839
Jul	65.150	-0.375	65.250	65.250	108	644
Total					7,053	34,678

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	82.300	-1.2	83.500	81.200	102	739
Feb	69.950	-1.675	72.400	69.775	1,117	3,615
Mar	69.850	-1.95	72.000	69.650	22	128
May	70.775	-1.625	71.500	70.100	1	25
Jul	72.950	-2	-	-	1	18
Total					1,242	4,532

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1650	45	85	26	79
1700	22	64	38	106
1750	9	47	90	138
■ COPPER (Grade A) LME	Sep	Nov	Sep	Nov
2150	46	93	37	103
2200	25	73	65	131
2250	12	55	101	163
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1500	13	89	52	106
1550	4	70	83	137
1600	1	54	140	171
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1000	23	88	3	38
1025	8	74	13	49
1050	2	62	32	62
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1800	-	-	21	40
1850	-	-	-	56
1900	-	75	-	84

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.57-7.67w	-
Brent Blend (dated)	$18.42-8.48	-
Brent Blend (Oct)	$18.77-8.78	-
W.T.I.	$20.03-0.05w	-

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$227-231	
Gas Oil	$170-171	-1
Heavy Fuel Oil	$91-93	
Naphtha	$192-194	-1
Jet fuel	$186-187	-1.5
Diesel	$173-175	-2

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	9.00-9.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

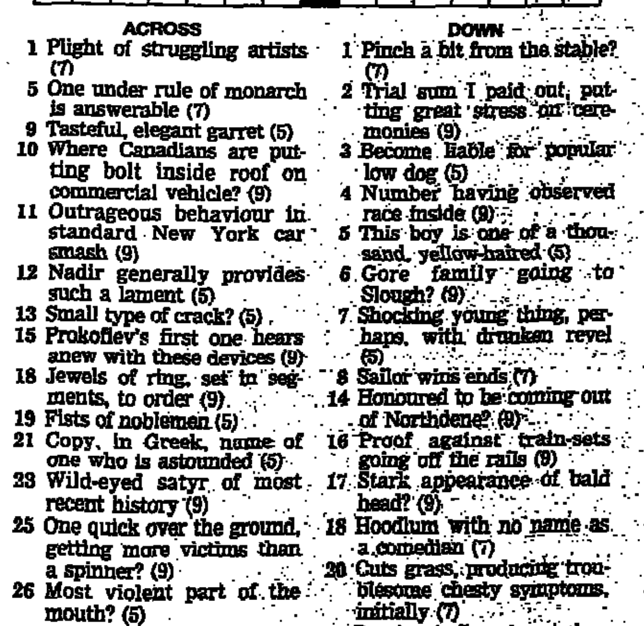
Gold (per troy oz)♣	$322.85	-1.70
Silver (per troy oz)♣	450.00c	+5.00
Platinum (per troy oz.)	$423.00	+1.00
Palladium (per troy oz.)	$206.00	-5.00
Copper	113.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.59r	-0.27
Tin (New York)	251.5	
Cattle (live weight)	101.54p	+2.70*
Sheep (live weight)	109.64p	-5.30*
Pigs (live weight)†	71.88p	-0.34*
Lon. day sugar (raw)	$286.50	+5.80
Lon. day sugar (wte)	$348.20	+2.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	61.75p	
Rubber (Oct)♥	62.00p	
Rubber (KL RSS No1)	251.5z	
Coconut Oil (Phil)§	560.0y	+5.0
Palm Oil (Malay.)§	507.5z	+5.0
Copra (Phil)§	$382.5y	
Soyabeans (US)	212.0	
Cotton Outlook'A' index	81.45c	
Wooltops (64s Super)	433p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Oct. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 523 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,457 Set by DINMUTZ



ACROSS

1 Plight of struggling artists (7)
5 One under rule of monarch is answerable (7)
9 Tasteful, elegant garret (5)
10 Where Canadians are putting bolt inside roof on commercial vehicle? (9)
11 Outrageous behaviour in standard New York car smash (9)
12 Nadir generally provides such a lament (5)
13 Small type of crack? (5)
15 Prokofiev's first one hears anew with these devices (9)
18 Jewels of ring, set in segments, to order (9)
19 Fists of noblemen (5)
21 Copy, in Greek, name of one who is astounded (5)
23 Wild-eyed satyr of most recent history (9)
25 One quick over the ground, getting more victims than a spinner? (9)
26 Most violent part of the mouth? (5)
27 Red does become a screen in church (7)
28 Drives in the endless streets around Rugby (7)

DOWN

1 Pinch a bit from the stable? (7)
2 Trial sum I paid out, putting great stress on ceremonies (9)
3 Become liable for popular low dog (5)
4 Number having observed race inside (9)
5 This boy is one of a thousand, yellow-haired (5)
6 Gore family going to Slough? (9)
7 Shocking young thing, perhaps, with drunken revel (5)
8 Sailor wins ends (7)
14 Honoured to be coming out of Northdene? (9)
16 Proof against train-sets going off the rails (9)
17 Stark appearance of bald head? (9)
18 Hoodlum with no name as a comedian (7)
20 Cuts grass, producing troublesome chesty symptoms, initially (7)
22 Peru's winding river is less polluted (5)
23 Your family turning sour after end of party? (5)
24 Apple from a tree? (5)

Solution to Saturday's prize puzzle on Saturday August 30. Solution to yesterday's prize puzzle on Monday September 1.

FT MANAGED FUNDS SERVICE

Offshore Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

هكذا من الأجل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Professional Investment Consultants				
Royal Life International				
Royal Scandia Life Assurance Ltd				
BAS-EX Currency Fund Plc				
BEA Associates				
BNP				
Julius Baer Bank & Trust Co Ltd				
Bahia Fund				
Banca Reig. S.A. (Principality of Andorra)				
Banco do Brasil-BB Fund				
Banco Internacional D'Andorra Banca Mora				
Bank of America				
Daiwa APT Japan Fund				
Daiwa Intl Capital Management (H.K.) Ltd				
Darier Hentsch Fund Management SA				
Global Asset Management - Contd.				
The International Investor				
INVESCO Asia Ltd				
INVESCO Asset Management				
INVESCO France				
MPFC Overseas Limited				
McGinnis Global Fund Ltd				
Magnum Funds				
ORIENT Growth Fd				
Oriental Development Company Ltd				
Orion Capital Advisors Ltd				
Oryx Fund Ltd				
Oryx (India) Fund Ltd				
Sintra Fund Ltd				
Sloane Robinson Investment Mngmt Ltd				
Smith Barney Funds				
Societe Generale Group				

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27⅛	—	*£27⅛	£20¼	2,081	2.7	ϕ
Barlow	♥†	£7⅛	-⅛	£8⅜	£5⅛	1,547	1.9	15.9
Gold Flds Prop R	†	192¼	+¼	197	122	18.7	4.5	14.9
SA Brews		£18½	-⅜	£20⅛	£13¾	5,481	2.1	ϕ
Standard Bank		£28½	-1	£30	£21	3,482	1.9	ϕ
Tiger Oats	†	985	-40	1100	780	1,448	1.9	18.4
Tongaat-Hulett		784¼	-1½	799¼	676¼	742.1	2.5	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
k Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
¶ Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

Footsie rallies to finish above session low

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Down, but not out, was the general view of the London market's performance after last Friday's global equities sell-off.

At the finish of a day expected to produce all sorts of mayhem in world markets, the FTSE 100 delivered a reasonably robust performance, closing a net 30.8 off at 4,835.0.

The other FTSE indices, the 250 and SmallCap, were slightly less impressive. The former ended 34.6 down at 4,663.6, having dropped 51.1 at the session low, while the latter settled 14.8 down at 2,228.6, only a fraction off its worst of the day.

There had been widespread expectations that London's equity market would come under further heavy selling pressure prompted by Friday's 247-point slide in the Dow Jones Industrial Average.

In the event the market's bellwether, the FTSE 100, was driven down over 70 points at the start, as City marketmakers chopped their opening quotations.

But dire predictions of a flood of selling of UK stocks by the big institutions failed to materialise. "We saw some selling pressure, but nothing that would have precipitated a slide," said one marketmaker. At its worst, Footsie was down 86.5. It subsequently embarked on a gradual recovery, which took it to a day's best of 4,852.6, down 13.2, not long after Wall Street opened on a bright note.

Equities owed their better than expected performance to a good showing by global bond markets. US bonds, which surprised dealers by clinging on to minor gains last Friday, were up again during London trading hours yesterday, helping to sustain European markets.

UK gilts were additionally helped by a higher than expected £3.88bn public sector debt repayment for July, against expectations of a £2bn repayment figure.

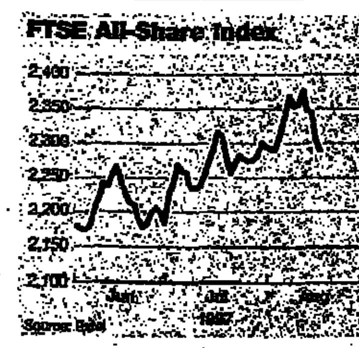
Up over 20 points shortly after the start, the Dow later began to give way and was showing a 70-point fall 90 minutes after London closed.

Marketmakers said the day's action took place amid extremely thin trading volumes, but they warned that overall sentiment in the market had been severely dented by Friday's retreat. "Friday was more than just a rap on the knuckles; there is a feeling that there has been a definite change of direction for the market," said one.

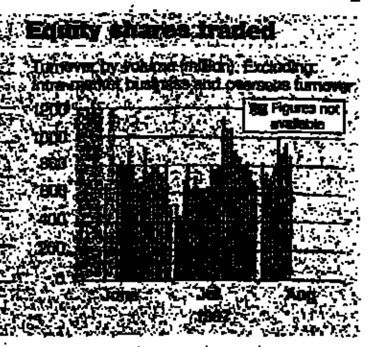
He added that there had been very little turnover in the top 100 stocks as the Footsie fell from above 5,000 to its current level. Volume was 595.9m shares, the lowest for several months. "If we get down to 4,700, watch for the big institutional sell-off," he warned.

The head of trading at one US investment bank in London spoke of a technical setback – "not the start of a bear market" – and also noted the strength of bond markets. He, too, pointed out that the weakness on Friday had been mostly concentrated in a handful of the leading stocks, and that inherent weakness across the market "won't get washed out in days, it might take some weeks."

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4835.0	-30.8	FT 30	3124.8	-18.5
FTSE 250	4664.0	-34.2	FTSE Non-Fins p/e	NA	19.72
FTSE 350	2340.6	-15.3	FTSE 100 Fut Sep	5002.0	-18.0
FTSE All-Share	2287.40	-15.00	10 yr Gilt yield	NA	7.12
FTSE All-Share yield	NA	3.41	Long gilt/equity yld ratio	NA	2.12

Best performing sectors		Worst performing sectors	
1 NA	NA	1 NA	NA
2 NA	NA	2 NA	NA
3 NA	NA	3 NA	NA
4 NA	NA	4 NA	NA
5 NA	NA	5 NA	NA

HSBC slides again

By Peter John and Joel Kibazo

Concerns about the Hong Kong market and a significant change of heart from one leading broker saw **HSBC Holdings** continue its downward journey.

Following a slide of 166p on Friday, the stock fell 70½ to £20.97. The slide was the biggest in the Footsie in percentage terms and represented a two-day retreat of more than 10 per cent in the UK's biggest stock by market valuation.

The Hang Seng index, of which HSBC is a large constituent, was closed yesterday. But the indicative index of Hong Kong stocks quoted in London was off 4.7 per cent on growing concern about a speculative attack on the Hong Kong dollar.

Also, SBC Warburg, which has been a buyer of the stock all the way up from £10 a share, removed its positive recommendation yesterday. The broker moved its stance on the stock to "hold" from "add" citing concerns about the outlook for Hong Kong mortgage margins.

However, the slide appeared worse than it was, as HSBC went ex a 20p net dividend yesterday.

Barclays and **Standard Chartered** also went ex-dividend. Barclays fell 14 to £13.82½ and Standard Chartered 21 to 996½p. Elsewhere in the sector, **Lloyds TSB** dipped 14 to 711p and **Abbey National** 3 to 795p. **Alliance & Leicester** lost 3½ to 617p and **Halifax** 3½ to 719½p.

Among industrial stocks, last week's demand for **BTR**, which made it one of the best performing stocks of the week, continued into yesterday. The shares appreciated another 6 to 221p, making it the best performing stock in the FTSE 100, with US buyers once again said to be responsible for the demand. Volume was 8.2m.

Weekend press comment highlighted demerger possibilities at the company and the stock's recent underperformance of the market, while NatWest Securities was said to have issued a positive note on the stock.

The shares have gained 30p in a week but remain far short of their 12 month high of 284p. The all time high of 407p was recorded in mid-1993.

There was a switch out of **BP**, which is heavily exposed to oil prices, and into **Shell Transport**, which has more reliance on downstream chemical profits.

Part of the switch was a reversal of the recent trend, which has seen BP hit new highs on the back of sparkling figures a fortnight ago, while Shell slumped on the back of very disappointing results shortly afterwards.

However, oil-price sensitive stocks were out of favour as underlying crude prices fell back. Crude has been under pressure since last week when Iraq started to pump out oil following the UN brokered oil-for-aid agreement. BP fell 13 to 837½p while Shell moved forward 6 to 416½p.

National Power muscled its way towards the top of the list of blue chip outperformers with investors looking for defensive stocks with sound fundamentals.

The shares, which had fallen 14 per cent since approaching their peak in late July, were also beginning to offer an attractive yield. Meanwhile, **PowerGen** added 8 at 721.

Southern Electric held its ground with assistance from a "buy" note published by Credit Lyonnais Laing and closed 1½ off at 449p.

Legal & General fell back in early trading as Dresdner Kleinwort Benson highlighted its more cautious view on the stock.

In a big sector review Kleinwort pointed out that it had downgraded its recommendation on the shares from "add" to "hold".

The shares were were off 7½ at one stage but a technical switch by a rival broker into Legal from **Prudential** saw the former's price tick back up to end the day 2 higher at 444p. Pru slid 14 to 593½p.

Kleinwort also advised clients to reduce holdings in **London & Manchester**. The stock dipped 4 to 409p.

Smith & Nephew held out against the overall market weakness as the announcement of a product approval was combined with an upgraded recommendation from one broker.

S & N won approval from the Canadian Health Protection Branch to market Dermagraft for the treatment of diabetic foot ulcers. Although the approval will have a marginal effect on profits, it paves the way for approval into the more significant US market.

Also, NatWest Securities removed its negative stance on the stock. The broker pointed out to clients that the shares had underperformed the FTSE All-Share by 27 per cent over the past year and was now on a 124 per cent yield relative to the broad market. And, it said, recent figures signalled an improvement in US earnings growth. The shares eased only ¾ to 178¼p.

News that it has won a US patent for its Forstat flu' vaccine saw **Cortecs** marked 1½ higher to 216½p.

Turnover in rentals group **Thorn B** shares rose to 68m following an agency cross around the 20p level as the company purchased another block of its own shares for cancellation.

The company has now bought around 95.5 per cent of its B shares and all have now been cancelled, with only 19.69m B shares remaining in issue.

Thorn announced its B share repurchase offer at the end of May. The ordinary stock eased a penny to close at 169p, having traded 1.7m.

Shares in hotels and leisure company **Ladbroke Group** rose 3½ to 253½p, after a UK court dismissed lottery-operator Camelot's attempt to have a numbers game made illegal.

The game – 49s – is run by Ladbroke, bookmakers Coral, which is owned by drinks and hotels group Bass, and Brent Walker, owned William Hill.

A weekend press report suggesting **Bass** is considering a £650m bid for **First Leisure** following the government's decision to block its planned purchase of the Carlsberg-Tetley brewing group, helped the shares recover from an early decline.

Analysts were initially sceptical about the prospect of such a bid but sentiment appeared to change during the course of the session.

One market specialist said: "The financial strength of the Bass balance sheet means a deal of this kind would be no problem. In fact, it would improve the outlook for Bass and and help raise the quality of earnings in particular."

The bid talk helped First Leisure shares gain 1¼ to 322½p while **Brent Walker Group** was steady, trading unchanged at 1½p. Retailer **Sears** was the best performing FTSE 250 stock, closing 2½ up at 62p after PDFM said it raised its holding in the group to 20.5 per cent.

FT 30 INDEX

	Aug 18	Aug 15	Aug 14	Aug 13	Aug 12	Yr ago	*High	*Low
FT 30	3124.8	3143.3	3198.2	3185.0	3226.5	2801.9	3222.3	2668.8
Ord. div. yield	3.53	3.51	3.44	3.45	3.40	4.13	4.22	3.39
P/E ratio net	18.30	18.40	18.80	18.74	19.01	16.72	19.07	15.80
P/E ratio nil	18.11	18.22	18.61	18.55	18.82	16.55	18.88	15.71

FT 30 since compilation: high 3226.5 12/08/97; low 49.4 26/06/40 Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3098.5	3106.1	3108.1	3118.9	3124.0	3125.3	3123.0	3129.0	3131.1	3132.9	3091.9

	Aug 18	Aug 15	Aug 14	Aug 13	Aug 12	Yr ago
SEAQ bargains	47,921	44,454	44,885	49,231	49,831	33,442
Equity turnover (£m)†	–	NA	NA	NA	2995.9	1442.5
Equity bargains†	–	NA	NA	NA	50,030	39,534
Shares traded (mil)†	–	NA	NA	NA	869.0	451.3

†Excluding intra-market and overseas turnover but including Crest turnover.
© FTSE International Limited 1997. All rights reserved. *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	300	Total Highs	26	Total contracts	44,223
Total Falls	1,557	Total Lows	106	Calls	19,872
Same	1,223			Puts	24,351

Aug 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4785.0	4843.0	-4.0	4885.0	4775.0	11654	72929
Dec	4865.0	4909.0	-4.0	4938.0	4865.0	267	6388
Mar	4963.0	4953.0	-7.0	4982.5	4963.0	170	221

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4720.0	4720.0	-46.0	4720.0	4720.0	60	8933

FTSE 100 INDEX OPTION (LIFFE) (*4844) £10 per full index point

	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P
Sep	258	60	222	73	186½	89	153½	109	123½	130½	98	158½	78	188	58	221
Oct	303	87½	265½	100½	233½	120	203	141	172½	162	144½	187½	123	218	101	248
Nov	345½	113½	318	128½	280½	148½	250½	169	221	190	191½	212½	169½	241	147½	270½
Dec	388	126	351½	142	322½	162½	292½	183	262	205½	239	230½	267	261	186½	290
Jun†			490½	209			428½	245½			379½	290			323½	343

Calls 3,485 Puts 5,573

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P
Sep	232½	65½	187	79½	164½	97	134½	116½	108½	140	86	167½	68½	198	51	231½
Oct	279½	93	245½	108	214	126	184	145½	158	169	133½	193½	111	221	92½	251½
Nov	326½	118½	294	135	262½	152½	233	172½	205½	193½	180	217	156	242½	134½	270
Dec			338	150½			269	187½			215	230½			167½	280½
Mar†			412	194			353	230½			298	272			258	319

Calls 8,741 Puts 13,879 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	405	Antofagasta Uts	407½	-2½	-	-	-	-
§	F.P.	4,871	238	220½	Billiton	234		RQ10c	1.6	2.7	23.5
*	F.P.	7.99	80	70½	†Blakes Clothing	80		L1.45	5.1	2.3	8.7
-	F.P.	85.4	109	101	Bristol & W Prf	108¾	+½	-	-	-	-
§100	F.P.	28.9	145	109½	Cammell Laird	136	-2½	L3.8	2.1	3.5	13.1
	F.P.	-	116	114	EMI B	115		22.75	-	3.1	-
*	F.P.	9.92	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§3	F.P.	4.61	3¾	3½	†Farpiece Cnsltg	3¾		-	-	-	-
§	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	236.5	202	162½	Galen Hldgs	195		L0.9	5.7	0.6	31.4
§125	F.P.	5.81	135	99	†Helicon Publsg	99	-½	-	-	-	-
§	F.P.	558.2	398½	368½	Ionica	371	-2½	-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Leis	175½		LW2.0	6.0	1.4	14.6
*	F.P.	-	79½	78½	†LEPCO	78½		-	-	-	-
§90	F.P.	4.21	98	93	†Landround	94½		3.3	1.7	4.4	16.6
§173	F.P.	44.4	217½	185½	Metroline	208½	-1	R5.8	2.8	3.5	12.4
100	F.P.	32.5	112½	99½	Reabourne Merlin	108	-½	-	-	-	-
§100	F.P.	7.77	120½	105½	†SBS Group	109½	+1	12.4	2.0	2.7	19.3
-	F.P.	-	38½	34½	Severn Trent B	34½		-	-	-	-
-	F.P.	-	50½	42½	†Stentor Warrants	50		-	-	-	-
	F.P.	-	22¾	19½	Thorn B	20½		-	-	-	-
-	F.P.	79.3	68½	60	Viglen Tech	65	-½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 15	% chg on day	Aug 14	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1446.29	+0.5	1439.16	2805.02	2.19	-	2081.05	1278.14
Regional Indices								
Africa (14)	1441.09	-1.7	1465.88	2587.77	5.33	23.84	2695.89	1324.08
Australasia (6)	1575.87	+2.9	1531.48	2355.17	3.36	18.12	2455.10	1336.10
North America (11)	1445.75	+0.9	1433.43	1790.63	0.97	73.44	1854.46	1244.23

Copyright, FTSE International Limited 1997. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4794.0	4806.2	4811.0	4830.7	4842.0	4844.7	4839.8	4846.7	4844.6	4852.6	4779.3
FTSE 250	4653.6	4648.1	4651.8	4652.2	4656.2	4658.0	4659.1	4659.7	4663.9	4664.1	4647.1
FTSE 350	2323.5	2327.8	2330.0	2337.7	2342.6	2343.8	2342.0	2344.7	2344.3	2347.1	2317.4
FTSE SmallCap	2230.56	2228.72	2229.33	2229.25	2230.13	2230.32	2230.39	2229.98	2228.86	2230.59	2228.51
FTSE All-Share	2271.98	2275.74	2277.81	2284.83	2289.30	2290.41	2288.77	2291.28	2290.83	2293.45	2266.30

Time of FTSE 100 Day's high: 3:13 PM Day's low: 8:37 AM. FTSE 100 1997 High: 4835.0 (18/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 3:13 PM Day's low: 8:37 AM. FTSE All-Share 1997 High: 2287.40 (18/08/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.
Due to technical problems the FTSE Actuaries Share Indices, The UK Series, were unavailable for this edition.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	506	483½	-7½
AMVESCAP	837	357½	-3
ASDA Group†	6,500	148½	-1½
Abbey National†	3,200	795	-3
Airtours	443	1175	-7½
Albert Fisher	1,300	39½	
Alliance & Leicester†	3,600	617	-3½
Allied Domecq†	810	468½	-9
Anglian Water	478	772½	+6
Argos	300	621½	-1½
Arjo Wiggins	1,900	196½	
Assoc. Brit. Foods†	350	494	-4½
Assoc. Brit. Ports	482	273½	-1
BAA†	1,700	571½	-1
BAT Inds.†	4,100	513½	-8½
BBA	1,900	401½	-10½
BICC	339	169½	-1
BOC†	1,200	1097	-14½
BG†	4,600	252½	-8½
BP†	6,200	837½	-13
BPB	801	345½	-½
BSkyB†	2,800	442	+5
BT†	42,700	381½	
BTR†	8,200	221	+6
Bank of Scotland†	1,200	409½	-2
Barclays†	3,400	1382½xd	-½
Bass†	1,300	839	+11½
Blue Circle†	1,700	422	-5
Booker	178	316½	-6½
Boots†	498	797½	+½
Britannic	209	835½	
Brit. Aerospace†	722	1448	-22½
British Airways†	3,800	612½	-5
British Biotech	885	182½	-1
British Energy	1,900	155½	-2½
British Land†	921	592	-½
British Steel†	3,200	174¾	+3½
Burmah Castrol†	222	1082½	-12½
Burton	1,000	127¼	-½
Cable & Wire†	2,600	558½	+1½
Cadbury Schweppes†	2,500	602	-1
Caradon	1,400	220	-1
Carlton Comms.†	857	489½	+1
Centrica†	10,000	89¼	+1½
Coats Viyella	102	122½	-1½
Comm. Union†	1,900	722½xd	-5¼
Compass	880	630½	-7
Cookson	3,800	262	-½
Courtaulds	595	337	-8½
Dalgety	88	267½	-3
De La Rue	225	386	-1
Dixons†	1,900	609½	+8
EMAP	309	831	-6½
EMI†	1,400	583½	+6½
Electrocomps	288	480	-3½
Energy Group†	928	627½	-1
Enterprise Oil†	389	695	-16½
FKI	2,000	195	-1
Foreign & Col. I.T.	421	175¾	-2
Gen. Accident†	1,400	918	-14
General Elect.†	3,200	375½	-4
Glaxo Wellcome†	2,900	1195½	-5
Glynwed	265	248½	-1½
Granada†	1,400	799	+8½
Grand Met.†	1,000	587	-9
GUS†	1,500	634½	-½
Greenalls	1,600	490	-2½
GRE†	2,100	283	+6
GKN†	1,100	1263½xd	+9
Guinness†	1,700	577½	-4
HSBC (75p shr)†	3,000	2097xd	-50½
Halifax†	5,100	719½	-3½
Hammerson	26	472½	-4
Hanson†	887	305	-1
Harrisons Crosfield	361	111½	-3
Hays†	418	587½	-6½
Hillsdown	363	183½	-2½
Hyder	79	848	+2½
IMI	92	374½	-10
ICI†	2,000	999xd	-17
Imperial Tobacco†	619	395	+1½
Inchcape	457	285½	-5
Johnson Matthey	298	627½	-9
Kingfisher†	477	717	-6½
Ladbroke†	3,000	253½	+3½
Land Securities†	1,500	925½	-6½
Laporte	184	702½	-16½
Legal & General†	1,600	444	+2
Lloyds TSB†	5,100	711	-14
LASMO†	1,300	258	-6
Lonrho	753	122½	-1
LucasVarity†	4,500	202½	-5
MEPC	2,300	477	-6½
MFI	108	155	-2
Marks & Spencer†	2,200	586	+½
Mercury Asset Man†	300	1338½	-1½
Morrison (Wm.)	380	179½	-4
NFC	398	133	-½
NatWest Bank†	2,300	792	-15½
National Grid†	4,300	259	+3
National Power†	1,700	518½	+11
Next†	848	755½	-6½
Northern Foods	188	228½	-1½
Norwich Union	9,009	330	-6
Orange†	438	212½	+1½
Pearson†	805	737½	-10
P & O†	1,700	635	+9
Pilkington	4,600	148	-1
PowerGen†	7,100	721	+8½
Premier Farnell	1,300	547½	-4
Provident Financial	68	648½	+7
Prudential†	2,300	593½	-14
REXAM	290	286xd	-2
RMC†	243	1045	+2½
Racal	171	294½	-1½
Railtrack†	957	776½	-6½
Rank Group†	1,900	338	+½
Reckitt & Colman†	870	845	-7
Redland	541	292½	-5
Reed Intl.†	1,500	543½xd	+¼
Rentokil Initial†	5,800	212½	-1½
Reuters†	4,500	625	-4
Rio Tinto†	1,200	1012½	-17½
Rolls Royce†	1,700	244	+2
Royal & Sun Allicet†	3,400	527½xd	+3
Royal Bk Scotland†	2,400	596	-5
Safeway†	3,100	379	-7½
Sainsbury†	2,400	441	-7½
Schroders†	217	1850	-2½
Scottish & New.†	626	755	+6
Scot. Hydro-Elect.	588	442½	+4
Scottish Power†	1,200	415½xd	-1
Sears	2,500	62	+2½
Securicor	1,700	293½xd	-2
Severn Trent†	1,200	847½	+10½
Shell Transport†	8,700	416½	+6
Siebe†	768	1158½	-6½
Slough Ests	47	308	-½
Smith (W.H.)	1,300	389	+2½
Smith & Nephew	1,600	178¼	-¾
SmKl Beecham†	6,400	1086½	-7
Smiths Inds.†	459	840	+1
Southern Elect.	739	449	-1½
South West Water	81	771½	+4
Stagecoach	181	882½	-6
Standard Chartd.†	2,400	996½xd	-15¾
Storehouse	3,000	228½	+7
T&N	380	150	-3
TI Group†	615	594½	+6
Tarmac	1,400	118	-1
Tate & Lyle†	430	415½	-3
TeleWest Comms	990	84	+1
Tesco†	2,400	404½	-5
Thames Water†	690	781½	+4
Thistle Hotels	120	145	-1
Thorn	1,700	169	-1
Tomkins†	2,400	328	-3½
Unigate	190	533½	+½
Unilever†	2,800	3777½	-5
United Assurance	50	455	-6½
United Biscuits	539	214	+1
Utd. News & Media†	567	708	+2½
United Utilities†	1,800	707½	+2
Vodafone†	3,609	312½	-3
WPP	591	277½	+4
Wessex Water	311	478½	-7
Whitbread†	987	824½	+1½
Williams	2,400	361½	-2
Wolseley†	289	446½	-8
Woolwich	3,100	290	-6½
Yorkshire Water	663	495½	+4
Zeneca†	1,700	1890	+7½

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

هكذا من الأصل

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

INDEX FUTURES

US INDICES

	Aug 15	Aug 14	Aug 13	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	1058.41	1088.11	1084.73	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	104.08	106.45	105.96	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	469.10	476.86	478.42	497.00 (6/8)	389.47 (11/4)	497.00 (6/8/97)	4.64 (25/4/42)
Amex Comp.	635.51	640.39	641.06	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1562.03	1586.69	1583.40	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 15	Aug 8	Aug 1	Year ago
Dow Jones Ind. Div. Yield	1.69	1.61	1.56	2.22
	Aug 13	Aug 6	Jul 30	Year ago
S & P Ind. Div. yield	1.53	1.47	1.48	2.04
S & P Ind. P/E ratio	25.27	26.35	26.05	22.04

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
BP	10,683,700	80	-4¼
SL Stret	8,311,300	51½	-4
GEC	8,111,800	62¾	-4
TV Azteca	7,574,900	19⅛	+⅞
Micron Tech	6,820,800	42¾	-2⅛
Coca Cola	6,286,800	58⅝	-1¼
Bay Ntwk	5,725,900	32¾	+⅛
Wal-Mart	5,631,200	35⅛	-⅛
SL Green	6,245,900	25	+4
Pep Boys	5,800,700	26⅜	-6⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 15	Aug 14	Aug 13
New York SE	538.550	526.726	587.880
Amex	21.114	22.174	24.935
NASDAQ	549.453	585.587	659.383
NYSE			
Issues Traded	3,384	3,380	3,383
Rises	731	1,523	1,364
Falls	2,150	1,261	1,471
Unchanged	503	596	548
New Highs	62	104	104
New Lows	23	17	25

■ TOKYO - MOST ACTIVE STOCKS: Monday, August 18, 1997

	Stocks Traded	Closing Prices	Change on day
Fujita Corp	12.7m	106	+16
NSK	7.9m	635	-10
Yasuda F & M Ins	7.5m	736	-15
Sakura Bank	6.1m	740	-26
Dai Nippon Print	5.1m	2750	-20
Fujitsu	5.0m	1670	-30
Mitsui Co	4.8m	1060	-10
Towa Real Est	4.5m	97	+7
Hitachi	4.2m	1230	-10
Takeda Chem Ind	3.9m	3600	+50

4 pm close August 18

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
36 7/16	24 1/4	AAR x	0.48	1.4	26	715	34 3/8	33 7/8	34 1/8	-5/16
53 1/4	33 1/8	AMP x	1.04	2.1	41	6360	49 1/2	48 1/4	49 1/2	+1 1/4
110 3/16	78 1/4	AMR			8	3361	103 9/16	101 1/2	103 7/16	-5/16
37 5/8	29 1/2	ASA x	1.20	4.0	19	357	30 1/8	29 7/8	30 1/16	-3/16
68 13/16	49 3/4	AbbtL x	1.08	1.7	25	13164	62 7/16	61	62 7/16	+1 11/16
20 1/2	14 1/2	Abitibi	0.40	2.1	9	1488	18 7/8	18 1/4	18 13/16	-1/4
25	17 7/8	ABM Ind	0.40	1.6	22	187	24 7/16	24 3/8	24 1/2	
24 1/8	17 3/4	Acptnceln			11	108	22 1/4	22	22	+1/16
87 1/4	56 1/8	ACE Ltd	0.86	1.1	11	851	81 3/8	79 7/16	81	+11/16
10 3/4	10	ACM Gvt In x	0.90	8.7	11	151	10 7/16	10 3/16	10 3/8	
8	7	ACM OvOpp x	0.63	8.2		794	7 11/16	7 1/2	7 11/16	+1/8
10 5/16	9 1/4	ACM Man x	0.90	8.1		306	9 13/16	9 13/16	9 7/8	
10 5/8	6 1/8	Acme Elect				232	6 7/16	6 3/16	6 7/16	+3/16
20	13	Acme Mills				72	14 7/8	14	14 3/8	+1/8
22 13/16	14	ACNielsen			39	451	21 3/4	21 1/16	21 13/16	+11/16
29 3/4	19 1/8	Acuson				491	25 13/16	25 1/16	25 3/8	-7/16
24 3/8	19 3/8	Adams Expr x	0.55	2.3	1	341	23 3/4	23 1/2	23 11/16	+1/8
48 1/2	24 7/8	AdvMic				33207	42 1/2	36 3/4	41 1/2	+4
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	377	22 5/8	21 13/16	22 5/8	+3/4
18 13/16	11 3/8	Advo Inc			16	102	17 9/16	17	17 1/8	-3/8
78 7/8	61 1/8	Aegon	1.31	1.9	19	1749	70 5/8	69 5/8	70 7/16	+1 3/4
9 1/4	3 1/8	Aerflx				1756	8 3/16	7 3/16	8 1/8	-1/16
56 7/16	39	Aero-V x	0.80	1.5	18	956	54 11/16	54	54 5/16	+1/8
[illegible]										

[illegible]

Be our guest.

BRUSSELS

HILTON

When you stay with us in BRUSSELS stay in touch - with your complimentary copy of the

FINANCIAL TIMES

No FT, no comment.

هكذا من الأصل

NYSE PRICES

4 pm close August 18

Continued from previous page

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng
28¾	17¾	Zero x	0.12	0.4	20	35	27½	27⅜	27¼	-⅛
12⅞	10¾	ZweigFd♣	1.20	9.6		272	12⅞	12⅞	12¼	+1/16
9 1/16	8	Zweig Tot x	0.84	9.3		495	9	8 15/16	9	+1/16

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ftl.

AMEX PRICES

4 pm close August 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TmsA	0.64	20	2013	46⅛	45¾	46⅛	+⅛

NASDAQ NATIONAL MARKET

4 pm close August 18

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Laboné	0.72	44	13	16¾	16½	16½	-¼
Ladd Furn		22	199	16⅛	15⅝	16	
Lam Rsch			14832	59¼	56 11/16	56 11/16	-1 5/16
Lancaster	0.72	17	441	49¾	48⅞	49¼	+⅜
Lance ♣ x	0.96	23	486	u21⅞	21⅜	21⅜	-¼

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow♣		14	1044	19	18	18⅝	+⅞
Rallys			204	2⅛	2	2⅛	
Raymond	0.25	16	20	32⅞	32⅞	32⅞	
RCSB Fn	0.60	16	658	47¾	46⅜	46 11/16	-1 1/16
Read-Rite		27	8737	27	25⅞	27	+1/16
Recoton		19	204	13⅛	12⅝	12 15/16	+1/16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		35	15243	51¼	48 11/16	50 3/16	
Xircom		23	2875	14¼	13½	14	+5/16
Xoma Corp			3458	6 11/16	6⅛	6⅝	+7/16
Yahoo			7521	52½	48¼	52⅜	+3⅞
Yellow			1018	27	26⅜	26⅞	+3/16
York Rsch		18	290	6 1/16	5⅞	6 1/16	
ZionsUtah	0.48	19	907	35⅝	34⅝	35 3/16	-9/16

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		3700	8.25	2.875	Lernout & Hauspie	US$27.75	-0.375	1510	34	25
Artwork Systems	US$8.75		2520	11.125	8.75	Mercer Int'l	US$10.625		0	11.75	8.125
Chemunex	FFr10.5		0	18	10.5	NTL	US$22.25	-0.125	0	25.125	21.625
Deborair Holdings	£6.7		13100	7.15	4.5	PixTech	US$3.5		0	6.125	3.5
Dr Solomon's ADS	US$24.875	-0.25	0	28.375	16.875	Schoeller-Bleckmann	Sch1375	+110	21426	1375	900
EDAP TMS	US$7.125	+0.1875	0	9.125	6.9375	Topcall Int'l	Sch3170	-85	3630	3363	3065
Esprit Telecom ADS	US$8.25	-0.125	0	12.25	5.375	Turbodyne Technol.	US$3.75	-0.1	0	3.98	3.75
Innogenetics	US$10	-0.125	22728	12.75	10						

Prices for 18/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / 489 9890)

★ FINANCIAL TIMES   Tuesday August 19 1997

Dow dips further at midsession

AMERICAS

US stocks weakened further, following Friday's 247-point collapse in the Dow Jones Industrial Average, as technology stocks came under renewed pressure after a mixed financial report by the computer maker, Hewlett-Packard, *writes John Labate in New York.*

At 1pm, the Dow was 52.26 lower at 7,642.40 and the broader Standard & Poor's 500 index was down 5.29 at 895.52. The Nasdaq composite index, which is weighted heavily in technology issues, also lost ground, off 10.76 at 1,551.27.

Contributing to the market's pull back is a growing list of profit warnings by leading stocks, including Gillette last Friday. "The flow of earnings news has been disappointing," said Doug Cliggot, US equity strategist at J. P. Morgan. Although several factors added to the recent selling trend, he said that one contributor was the rift between bonds and stocks in early August.

"At the peak, the S & P 500 was some 7 to 8 per cent overvalued against the 30-Year Treasury bond yield," said Mr Cliggot. He believed that the market's current level, after the recent pull-back, was fairly-valued against Treasuries, although further short-term falls in the Dow might continue.

"Anything that could be interest rate sensitive or drive monetary policy would be the most shocking news," said Arthur Hogan, senior equity trader at Morgan Stanley. That would include a change in German interest rates this week, which remains at the front of bond and stock market investors concerns.

Hewlett-Packard announced earnings below expectations in spite of a strong rise in revenues. Traders knocked-off \$4 $\frac{3}{16}$ or more than 6 per cent at \$62 from the stock, which has risen sharply in recent months.

TORONTO ignored the steadier performance on Wall Street to move steeply lower in early trading. Banks were weak and so were golds. At the noon calculation, the 300 composite index was off 56.39 at 6,638.70.

The market held relatively steady in the face of the heavy sell-off in the US on Friday, so yesterday's run on sentiment was hard to pinpoint. "Its all a bit puzzling. Most traders are putting it down to the weakness of forestry stocks and the bullion price," said one broker.

Golds streamed lower. Barrick came off 45 cents to C\$32.10 and Placer Dome retreated 30 cents to C\$24.30.

Sao Paulo stocks dive

Latin American stock markets moved uniformly lower in spite of the steadier opening on Wall Street.

SAO PAULO fell steeply in volatile trading. Dealers said the options settlement and Friday's shakeout on Wall Street had made for an unsettled morning session. The leading Bovespa index – off 3 per cent at one stage – was down 223 or 2 per cent at 11,112 at midsession. Leading shares moved lower across the board. Telebras was off 1.8 per cent at R\$134.60 and Electrobras came off 2.6 per cent at R\$531. Petrobras shed 2.7 per cent to R\$292.

MEXICO CITY stayed weak in thin volume. At midsession the IPC index was off 63.25 or 1.3 per cent at 4,893.36.

SANTIAGO, closed on Friday for a national holiday, had some catching to do. At the midsession calculation the IPSA index was 1.21 at 131.02.

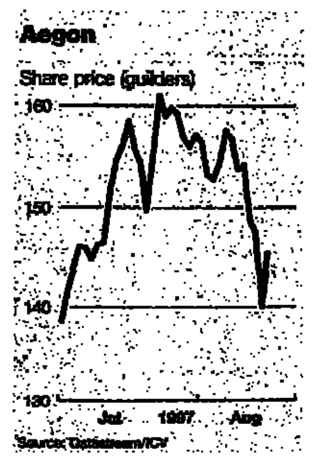
MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US \$ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	-3.48	-2.11	+33.85	+21.81	+9.68	+3.20
Belgium	-0.61	-2.42	+37.66	+25.84	+13.16	+6.48
Denmark	-1.94	-5.05	+47.92	+29.14	+16.91	+10.00
Finland	-3.07	+0.88	+76.97	+45.75	+30.94	+23.21
France	-2.35	+1.32	+45.01	+24.53	+12.30	+5.66
Germany	-4.34	-0.78	+57.74	+40.76	+26.79	+19.30
Ireland	-1.56	+2.58	+43.12	+31.84	+21.03	+13.88
Italy	-0.79	-1.24	+53.52	+39.71	+27.15	+19.63
Netherlands	-10.26	-4.61	+61.22	+38.00	+23.90	+16.58
Norway	-2.61	+2.76	+54.21	+29.69	+16.20	+9.34
Spain	-1.18	-1.94	+70.88	+32.48	+18.94	+11.92
Sweden	-2.92	+0.56	+86.74	+36.72	+24.77	+17.40
Switzerland	-5.79	-3.53	+49.88	+39.38	+32.53	+24.70
UK	-2.73	+0.52	+23.51	+16.06	+16.06	+9.20
EUROPE	-3.67	-0.71	+42.46	+27.89	+20.36	+13.25
Australia	-1.54	-0.93	+23.11	+12.53	+12.05	+5.43
Hong Kong	-3.67	+4.31	+30.47	+9.82	+16.51	+9.62
Indonesia	-6.86	-14.46	+17.82	-5.97	-17.96	-22.80
Japan	-0.14	-1.92	-2.62	+3.85	+9.44	+2.98
Malaysia	-2.22	-8.86	-18.18	-27.51	-30.07	-34.20
New Zealand	-2.08	+0.00	+15.90	+6.22	+2.63	-3.44
Philippines	-9.10	-9.96	-26.16	-27.47	-31.97	-35.99
Singapore	-5.02	-9.70	-8.64	-14.72	-16.40	-21.34
Thailand	-2.45	-4.14	-49.75	-26.09	-36.57	-40.31
Canada	-3.55	-1.51	+35.15	+14.27	+19.80	+12.72
USA	-3.22	-1.29	+35.82	+21.46	+29.09	+21.46
Brazil	-5.87	+1.95	+61.71	+50.12	+52.45	+43.44
Mexico	-2.29	+4.04	+45.11	+43.94	+55.07	+45.91
South Africa	-3.10	-1.34	+9.59	+8.71	+15.23	+8.43
WORLD INDEX	-2.87	-1.18	+27.89	+18.55	+21.45	+14.27

† Based on August 15th 1997.

Bourses pick up from heavy early losses

EUROPE



European markets mostly clawed back early losses as Wall Street opened firmer. Indeed, **FRANKFURT** ended modestly higher, supported by a rally for Volkswagen after a solid set of first-half results.

Shares rallied from earlier heavy losses, although volume was subdued. At the close of electronic trading, the Dax index was up 2.96 at an Ibis-indicated 4,080.55 having touched a low of 3,965.31 earlier in the session.

VW gained DM30 to DM1,283 after the motor giant reported a strong rise in interim profits. Analysts said the results trended towards the upper end of market expectations.

BMW added DM1.50 to DM1,300.50 following a forecast from the carmaker that the group was likely to repeat its strong first-half performance in the final-half of the year.

Among retailers, Karstadt gained DM27.50 to DM689 as optimism about restructuring in the sector continued to do the rounds.

AMSTERDAM made a comeback after last week's sharp falls, and the AEX index ended 23.06 or 2.6 per cent higher at 917.48 after erasing an early 14.36 fall.

Institutional buying pushed the market into firmer territory as the conviction grew that last week's falls had been overdone. The stronger dollar also boosted the market.

Financials led the rise ahead of results and also on takeover rumours. Insurer Aegon, which added Fl 4.70 to Fl 144.70, was said to be a target.

ABN Amro leapt 6 per cent or Fl 2.70 to Fl 47 and ING notched up a 4 per cent or Fl 3.70 rise to Fl 94.50. The groups are expected to report sound half-year results on Thursday.

Entertainment group PolyGram rose Fl 2.30 to Fl 110 on analysts' upgrades. Shipping leader Nedlloyd bucked the trend, losing Fl 1.20 to Fl 63.80 ahead of its results tomorrow.

PARIS fell 51.71 or 1.8 per cent to 2,870.13 on the Cac-40 index as worries about a rise for German interest rates continued to dog trading.

Volume was relatively healthy at 13m shares, but the broad mood remained subdued, not helped by a downgrade to underweight on France by BZW.

Supermarket group Carrefour stood out against the downtrend, adding FFr31 to FFr3,929. But most other leaders moved determinedly lower in a fairly trendless session.

Renault was the leading casualty, sliding FFr9.30 or 5.6 per cent to FFr157. Canal Plus, CCF and L'Oreal all shed more than 3 per cent. Canal Plus lost FFr38 at FFr1,038, CCF FFr9.80 to FFr315.20 and L'Oreal FFr90 to FFr2,230.

ZURICH extended its consolidation into a sixth straight session and the SMI index finished 92.9 or 1.7 per cent lower at 5,405.6, but up from an early 5,278.3.

Most blue chips were uniformly down in line with the SMI, but some secondary issues remained in positive territory. Holderbank picked up SFr21 to SFr1,231, although analysts noted that this was still 17.2 per cent down from its year's high, established on July 8. The dollar sensitive Surveillance was SFr20 higher at SFr3,015.

Baloise, seen as a possible takeover target after the planned CS Group-Winterthur merger, jumped SFr70 to SFr3,940.

CS Group lost SFr5 to SFr181 and Winterthur was SFr48 lower at SFr1,332. Michael Lindsay at Lehman Brothers said that after last week's fall in companies' share price, it was questionable whether the proposed tender offer from CS should be accepted. The proposed deal currently valued Winterthur at SFr11.8bn, compared with SFr14.8bn at the time of the offer.

STOCKHOLM ended down but off the day's lows, with the general index finishing 22.35 lower at 3,130.81.

Market heavyweights were weak, with telecoms group Ericsson falling Skr1 to Skr347.50 and drugs commpany Astra shedding Skr1.50 to Skr132.50.

HELSINKI closed lower on interest rate jitters ahead of today's Federal Open Market Committee Meeting. The Hex index closed down 59.60 at 3,451.30, off its low of 3,427.29. Nokia was down FM8.50 to FM446.00 and Raisio lost FM20.00 or 3.6 per cent FM535.00.

Among the European emerging markets, **BUDAPEST** tumbled 3.2 per cent as worries about the market's current valuation were compounded by the recent mixed batch of first half-corporate earnings. The Bux index lost 247.02 at 7,552.00.

WARSAW returned from a long holiday weekend with a loss of 2.9 per cent, as profit-taking continued to eat in to the 14.5 per cent rally seen over the six trading sessions to August 11.

The main market's Wig index fell 491.7 to 16,428.7 in turnover that eased to 159.4m zlotys.

Analysts said that Polish shares still looked relatively cheap compared with valuations in neighbouring markets, but they added that uncertainty in the run-up to the September 21 parliamentary elections was likely to limit the upside.

ISTANBUL extended recent losses on worries that interest rates and inflation could rise after an increase in petroleum prices. The IMKB National-100 index lost 52 at 1,952.

Written and edited by Michael Morgan, Jeffrey Brown and Greta Steyn

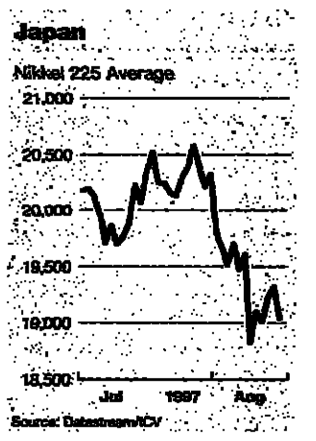
FTSE Actuaries Share Indices — European series

August 18 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	944.87	-0.68	-6.44	2.40	0.67	946.95
FTSE Eurotop 100	2184.31	-0.89	-19.62	–	–	–
FTSE Eurotop 300 Regions						
300 UK	951.97	-0.34	-3.26	3.44	1.77	957.65
300 Ex-UK	940.76	-0.87	-8.27	1.82	0.04	940.83
300 Eurobloc	943.44	-0.31	-2.92	1.88	0.06	943.54
300 Ex-Eurobloc	945.88	-0.94	-8.89	2.70	1.11	949.41
FTSE Eurotop 300 Economic Groups						
Resources	953.27	+0.16	+1.48	2.90	0.00	954.72
General Industries	969.77	-0.62	-6.02	2.03	0.25	970.39
Consumer Goods	914.05	-1.10	-10.13	2.03	0.00	916.18
Services	947.57	+0.09	+0.82	2.35	0.41	948.62
Utilities	926.87	-0.89	-8.34	3.40	0.77	931.50
Financials	950.10	-1.00	-9.61	2.42	1.80	953.04

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. Markets closed 15/8/97: Austria, Belgium, France, Italy and Spain.

Tokyo pares early setback to end 1.5% lower

ASIA PACIFIC



Tokyo ended 1.5 per cent lower on the Nikkei 225 average after losing almost 500 points at one stage, *writes Gwen Robinson.*

Discouraged by Friday's Dow shakeout and the decline of Nikkei-225 index futures in Osaka, investors sold stocks across the board. The Nikkei 225 average fell 284.93 to 19,041.10 after trading between 18,835.48 and 19,213.12.

Share prices opened sharply lower on heavy selling of blue chips, which drove the 225 index below the 19,000 level by mid-morning. The slide accelerated as hedge selling of index futures prompted arbitrageurs to dump cash stocks.

In the afternoon, however, bargain hunters moved in to help some blue chips and other issues recoup losses, although trading remained erratic. Analysts were divided on the market's short-term outlook.

Volume was relatively modest. Declines overwhelmed advances 776 to 314 with 143 unchanged. The Topix index of all first-section stocks fell 11.40 to 1,490.29 and the capital-weighted Nikkei 300 was down 2.33 at 291.82. In London, ISE/Nikkei-50 closed up 0.69 at 1,665.81.

Blue chips were mostly lower. Sony fell Y400 to Y11,500, Advantest Y400 to Y12,300 and Tokyo Electron Y330 to Y7,650. NEC fell Y20 to Y1,610. Pioneer Electronic, however, rose Y20 to Y2,790 on yesterday's announcement that profits surged in the April-June quarter.

Some construction-related issues drew buying interest from bargain hunters after their recent steep slide. Fujita, the day's most active stock, gained Y16 to Y106 on reports that the ailing contractor is making progress with its rehabilitation plan. Towa Real Estate, one of Fujita subsidiaries, also benefited from the news, rising Y7 to Y97. Shimizu rose Y8 to Y592, but Obayashi fell Y6 to Y715 and Kajima slid Y9 to Y601.

Banks were mixed. Fuji Bank rose Y20 to Y1,590 and Dai-Ichi Kangyo Bank Y10 to Y1,470, but Sakura Bank slid Y26 to Y740 and Bank of Tokyo-Mitsubishi Y20 to Y2,330. Pharmaceuticals also drew mixed interest. Takeda Chemical Industries gained Y50 to Y3,600 and Banyu Pharmaceutical Y30 to Y2,010. Yamanouchi Pharmaceutical fell Y80 to Y2,990 and Sankyo Y30 to Y3,960.

In Osaka, the OSE average fell 296.51 to 20,018.12 in volume of 36.8m shares.

SYDNEY fell steeply with the All Ordinaries index ending off 47.7 at 2,618.5 after touching a session low of 2,589.8.

Banks showed the sharpest falls with the sector index down 2.4 per cent. NAB fell 25 cents to A\$18.96 and ANZ 33 cents to A\$9.92. Westpac shed 15 cents to A\$8.21.

Among industrials Coca-Cola Amatil fell 30 cents to A\$14.705. BHP came off 39 cents to A\$17.108.

MANILA fell 80.26 or 3.3 per cent to 2,368.67 on the composite index following renewed weakness for the peso. "The Dow did not help, but it's really all currency related," said one trader. PLDT fell 35 pesos to 840 pesos and Manila Electric came off 2 pesos to 117 pesos.

BANGKOK tumbled as political and currency concerns took their toll of sentiment. The SET index dropped 18.9 or 3 per cent to 604.34, but on thin volume. It was the index's lowest close since the baht's devaluation on July 2 and the third straight decline.

Brokers said the market disliked last week's limited cabinet reshuffle, which they said was likely to intensify political squabbling. A further fall in the value of the baht also weighed on sentiment. Banks led the declines, with the sector shedding 5.3 per cent. Bangkok Bank topped the active list, falling Bt8.00 to Bt160.00.

KUALA LUMPUR also suffered currency concerns. The composite index closed down 29.73 or 3 per cent at 880.45. The session low of 877.47 was its weakest level since January, 1995. Malaysian Bank shed M\$1.00 to M\$21.80 and Telekom Malaysia 60 cents to M\$8.20.

● **HONG KONG** was closed although in London, Hong Kong stocks added to Friday's 3.3 per cent slide with a fall of a further 4.7per cent. Analysts noted, however, that between July 9, when the market's latest rally began, and August 7, the Hang Seng index had rallied 2,000 points to 16,673.27, making the market susceptible to profit-taking. Fears about a speculative attack on the Hong Kong dollar, Asia's last main US dollar fixed exchange rate, also kept the market pressured.

South Africa falls sharply

South African shares fell sharply in response to Wall Street's sell-off on Friday, but pared their losses when the US market opened firmer.

The all share index lost 78.5 to 7,361.3, the industrial index was 71.9 down at 9,049.0 and the gold index dipped 5.8 to 1,016.4.

Dealers said the day's thin volumes indicated that there had been no panic-selling. If overnight trades were excluded, only R500m worth of shares were traded on the Johannesburg exchange.

Of the 478 shares traded, there were 327 declines, 75 advances and 76 unchanged. Market leader De Beers closed 275 cents down at R147.25. Sasol saw large volumes, closing steady at R59.50.

Gold shares enjoyed some small interest after falling in sympathy with the overall market with some dealers saying a pull-back from equities could boost bullion. But investors were disappointed that the metal failed to respond to the turbulence on equity markets.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 15 1997								THURSDAY AUGUST 14 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	233.95	1.7	215.43	173.11	221.16	208.10	1.6	3.64	229.94	214.84	171.35	220.68	205.79	243.87	199.41	199.41
Austria (25)	195.98	1.5	180.47	145.02	185.26	185.15	0.0	1.77	193.03	180.36	143.85	185.27	185.15	206.00	174.70	179.20
Belgium (28)	242.44	1.5	223.24	179.39	229.18	224.44	0.0	3.04	238.84	223.16	177.98	229.23	224.44	261.11	213.92	215.91
Brazil (30)	272.07	-5.1	250.53	201.32	257.19	544.62	-5.0	1.35	286.70	267.87	213.65	275.16	573.11	322.44	172.54	180.67
Canada (126)	213.98	-1.1	197.04	158.33	202.27	215.31	-1.2	1.67	216.39	202.17	161.25	207.68	217.97	224.03	159.78	159.78
Denmark (32)	387.17	0.8	356.52	286.49	366.00	364.67	-0.7	1.40	383.90	358.69	286.08	368.46	367.17	421.25	315.48	315.48
Finland (28)	302.65	-0.6	278.69	223.95	286.10	346.30	-1.9	1.59	304.42	284.43	226.85	292.17	353.16	314.06	205.98	208.87
France (83)	226.18	1.5	208.28	167.37	213.81	217.39	-0.0	2.42	222.76	208.13	166.00	213.79	217.39	237.57	187.30	188.28
Germany (59)	226.66	-0.2	208.71	167.71	214.26	214.26	-1.7	1.33	227.09	212.18	169.23	217.95	217.95	238.42	172.93	175.87
Hong Kong, China (66)	555.83	-2.3	511.83	411.29	525.44	552.97	-2.2	2.78	568.66	531.31	423.76	545.78	565.72	580.03	421.41	426.84
Indonesia (27)	176.16	-6.6	162.21	130.35	166.53	310.97	-3.5	2.09	188.53	176.15	140.49	180.94	322.10	254.90	176.16	183.62
Ireland (17)	374.48	-0.4	344.84	277.10	354.00	360.92	-1.4	2.70	376.16	351.45	280.31	361.02	366.14	378.16	284.36	287.41
Italy (53)	99.88	1.6	91.98	73.91	94.42	132.46	0.0	1.79	98.27	91.81	73.23	94.31	132.46	105.79	73.26	76.29
Japan (485)	132.92	1.2	122.39	98.35	125.65	98.35	0.5	0.80	131.33	122.70	97.86	126.04	97.86	149.58	107.57	148.04
Malaysia (107)	396.91	-1.0	365.49	293.69	375.20	425.34	-0.9	1.63	400.97	374.63	298.80	384.83	429.31	660.85	394.40	541.80
Mexico (27)	1779.82	-1.0	1638.91	1316.98	1682.48	15112.34	-1.0	1.48	1797.09	1679.06	1339.18	1724.78	15265.85	1864.38	1138.59	1268.27
Netherlands (19)	391.88	-3.0	360.86	289.97	370.45	366.25	-4.5	2.13	403.89	377.38	300.98	387.64	383.33	431.56	297.04	298.63
New Zealand (14)	88.61	1.9	81.60	65.57	83.77	73.26	1.9	3.97	86.96	81.25	64.80	83.46	71.91	98.47	81.84	81.84
Norway (41)	323.14	0.2	297.56	239.11	305.47	332.19	-0.8	1.85	322.38	301.21	240.24	309.41	334.94	330.72	247.39	247.39
Philippines (22)	130.34	-3.1	120.02	96.45	123.22	193.57	-2.1	1.07	134.57	125.73	100.28	129.15	197.80	214.07	130.34	200.82
Singapore (42)	330.24	-0.6	304.10	244.38	312.18	230.79	-0.7	1.33	332.20	310.38	247.55	318.83	232.46	448.01	330.24	388.23
South Africa (44)	345.26	-1.7	317.92	255.47	326.37	353.90	-1.5	2.40	351.11	328.05	261.64	336.98	359.42	370.12	301.49	323.82
Spain (33)	245.99	1.3	226.51	182.02	232.54	286.93	0.0	2.31	242.73	226.79	180.88	232.97	286.93	276.05	173.01	176.26
Sweden (49)	495.32	-0.5	456.10	366.51	468.23	583.04	-1.8	1.77	497.92	465.22	371.05	477.89	593.45	512.39	352.11	356.14
Switzerland (33)	297.48	0.0	273.93	220.12	281.21	276.80	-1.4	1.20	297.37	277.84	221.60	285.40	280.89	329.59	231.69	247.12
Thailand (42)	57.18	-2.1	52.65	42.31	54.05	70.46	-1.5	4.40	58.42	54.58	43.53	56.07	71.53	146.69	47.55	142.85
United Kingdom (213)	309.22	-0.8	284.74	228.81	292.31	284.74	-2.2	3.50	311.60	291.14	232.20	299.06	291.14	325.28	241.12	241.12
USA (638)	366.62	-2.4	337.58	271.28	346.57	366.62	-2.4	1.68	375.62	350.95	279.91	360.51	375.62	389.67	264.75	269.93
Americas (821)	335.43	-2.4	308.87	248.20	317.08	282.56	-2.4	1.68	343.52	320.96	255.99	329.70	289.39	356.35	242.47	246.75
Europe (713)	271.40	-0.2	249.91	200.82	256.56	261.48	-1.7	2.43	272.02	254.15	202.71	261.07	265.95	284.44	212.81	212.90
Nordic (150)	421.58	-0.3	388.21	311.95	398.53	433.77	-1.5	1.70	422.66	394.92	314.98	405.67	440.53	437.88	307.34	309.16
Pacific Basin (891)	150.15	0.7	138.26	111.10	141.94	112.50	0.2	1.28	149.11	139.32	111.12	143.11	112.31	163.27	127.18	160.96
Euro-Pacific (1594)	200.77	0.2	184.87	148.56	189.79	168.55	-0.9	1.93	200.42	187.26	149.35	192.36	170.04	209.12	173.55	182.48
North America (764)	357.20	-2.3	328.92	264.31	337.66	356.58	-2.3	1.66	365.73	341.71	272.54	351.02	365.12	379.38	258.58	263.15
Europe Ex. UK (500)	244.79	0.1	225.40	181.13	231.39	242.20	-1.4	1.83	244.59	228.52	182.27	234.75	245.59	256.73	191.01	192.70
Pacific Ex. Japan (396)	300.07	-0.8	276.32	222.04	283.66	271.96	-0.8	2.78	302.80	282.92	225.65	290.62	274.31	320.65	280.04	280.04
World Ex. US (1821)	204.64	0.0	188.43	151.42	193.44	175.30	-1.0	1.91	204.62	191.18	152.48	196.39	176.99	212.89	176.94	189.63
World Ex. UK (2246)	251.21	-1.2	231.32	185.88	237.47	224.58	-1.6	1.62	254.21	237.51	189.44	243.98	228.19	262.69	204.12	207.40
World Ex. Japan (1974)	319.34	-1.6	294.06	236.29	301.87	313.49	-2.0	2.00	324.46	303.15	241.78	311.40	320.03	334.83	242.70	244.31
The World Index (2459)	256.21	-1.1	235.93	189.58	242.20	230.17	-1.6	1.81	259.17	242.14	193.13	248.74	234.02	267.21	207.64	210.34

 Latest prices were unavailable for this edition. Markets closed 15/8/97: Austria, Belgium, France, Italy & Spain.